Envisioning New Ways to Navigate Debt Portfolios

Problem

A financial recovery organization was struggling with cash flow, overhead costs and low liquidation rates

Solution

Alacer recommended Lean Six Sigma and Hoshin techniques to flatten the organization, streamline processes and leverage a champion/challenger strategy to improve collections

Results

10% reduction in operational employees, collection rate boosted by 100 BPS, improved cash flow funded purchase of new debt portfolio

Overview

In 2008, the U.S. economy began a shift that flooded the market with bad debt and bankruptcies; traditional recovery models no longer worked. A mid-size U.S. financial recovery organization found that, due to its own outdated management structure, cash flow issues and excessive overhead costs, it could not acquire funding to purchase its next debt portfolio. The organization asked Alacer to help it proactively reinvent the way it conducted its business.

Challenges

The financial institution had no formal problem solving strategies in place, so its accumulated debt portfolio from 2008/2009, which required new, inventive ways to resolve, was still being carried on its books. Low liquidation rates, coupled with soaring overhead costs, severely impacted the organization's profitability and cash flow. The Alacer team recommended deploying a multi-stage solution that introduced Lean Six Sigma methodologies for process improvements, leveraged a champion/challenger strategy for collections and flattened the organization's management structure using Hoshin principles.

Results

The new, less hierarchal organization required 10% less operational staff and was redesigned to align key process functions with business strategies. A champion/challenger strategy for collections resulted in a 100 BPS liquidation rate improvement on primary accounts and a 30 BPS improvement on secondary accounts. Bottom line: the improvements freed up enough capital to purchase the desired debt portfolio.

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