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## **Students Channel Student Credit Management - Collections Preliminary Organizational Assessment**

October 31, 2001



# Statement of Purpose

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The Collections Organization within Student Credit Management (SCM) asked Modernization Partner to assist in identifying organizational improvement opportunities, as they relate to the overall vision and goals of SFA, the Students Channel and SCM. During this preliminary analysis phase, specific activities and objectives included:

- Conducting an As-Is Organizational Assessment
- Identifying organizational opportunities
- Conducting working sessions to define and develop a Vision
- Creating process matrices for the Hearings and Loan Services functions
- Benchmarking organizational best practices related to Collections business

This document summarizes our work to date:

- Collections Overall Modernization Plan
- Organizational Approach and Timeline
- Collections As-Is Organization
- Potential Change Opportunities
- Visioning Process
- Deliverable Descriptions
- Next Steps



# Collections Overall Modernization Plan

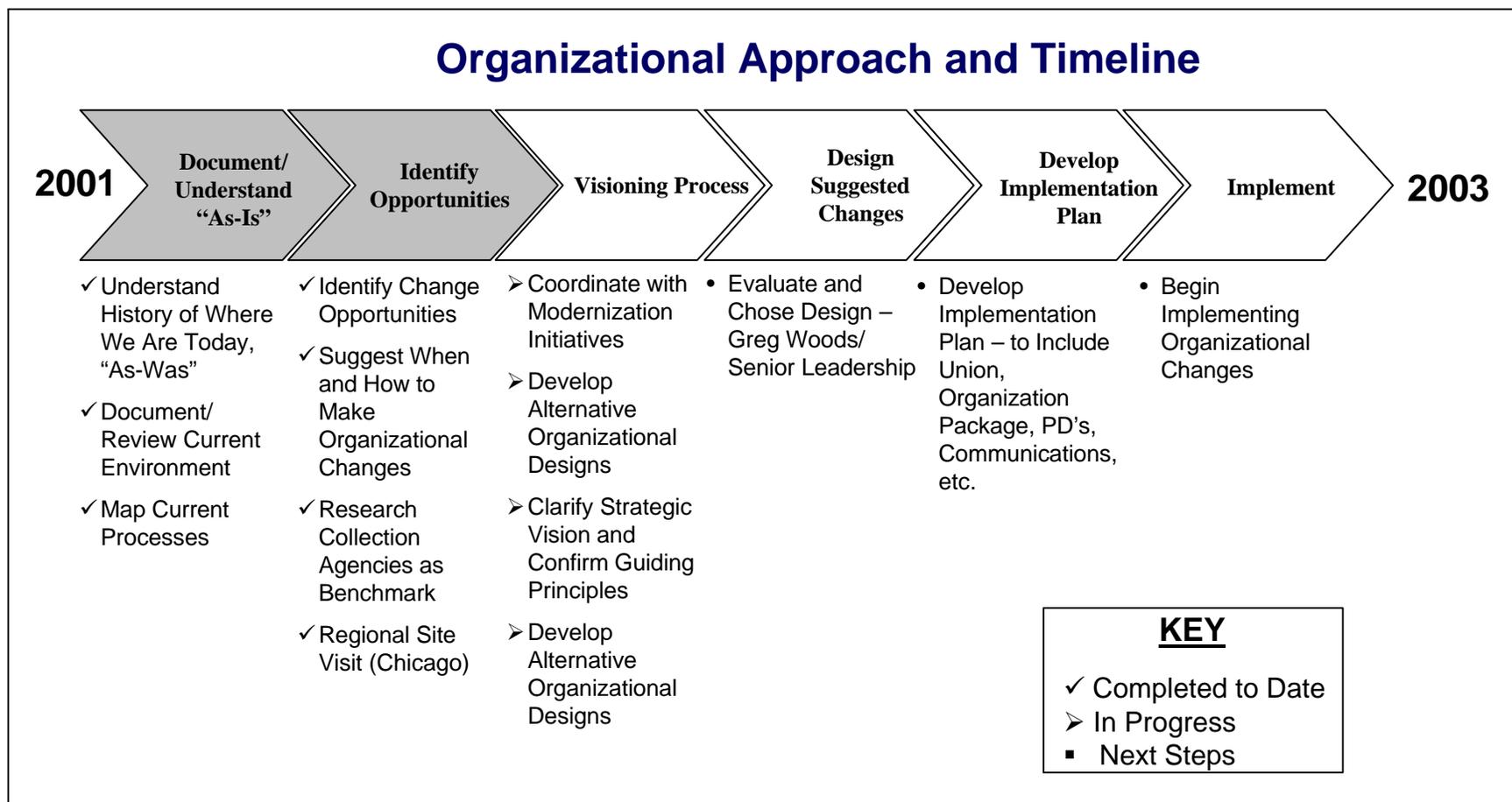
The overall Modernization Plan for Collections was developed using a “business integration” (BI) approach. This approach involves coordinating the technology, business processes, and organizational change to achieve the strategic intentions of SCM in general, and Collections in particular. This document focuses on the organizational aspects of the plan.

<b>Phased Approach</b>	<b>Current Environment Assessments</b>	<b>Low Level of Effort Opportunities</b>	<b>Medium Level of Effort Opportunities</b>	<b>High Level of Effort Opportunities</b>
<b>Technology</b>	<ul style="list-style-type: none"> <li>Leveraged Debt Management and Collections System (DMCS) Replacement Business Case</li> <li>Contacted Federal Family Education Loan (FFEL) Contract Retirement Integrated Product Team (IPT)</li> <li>Contacted eServicing Assessment</li> </ul>	<ul style="list-style-type: none"> <li>Select Commercial Off The Shelf (COTS) Software for DMCS Replacement</li> </ul>	<ul style="list-style-type: none"> <li>Implement Selected COTS Product to Replace DMCS</li> <li>Implement Siebel Software</li> </ul>	<ul style="list-style-type: none"> <li>Implement Common Servicing Operations</li> <li>Implement and Manage One Consistent Answers Call Center</li> </ul>
<b>Process</b>	<ul style="list-style-type: none"> <li>Participated in Process Review Analysis</li> <li>Discussed Consistent Answers</li> </ul>	<ul style="list-style-type: none"> <li>Consolidate Raytheon Contract with Direct Loan Payment and Loan Processing</li> <li>Implement Defaulted Loan Sale Program</li> </ul>	<ul style="list-style-type: none"> <li>Centralize and Automate Data Exchange</li> </ul>	<ul style="list-style-type: none"> <li>Increase Authority and Responsibilities of the Public Inquiry Contract (PIC)</li> </ul>
<b>Organization</b>	<ul style="list-style-type: none"> <li>Participated in Process Review Analysis</li> <li>Interviewed Regional and HQ Directors</li> <li>Coordinated with Modernization Partner Project Team Leads</li> <li>Researched Best Practices</li> </ul>	<ul style="list-style-type: none"> <li>Manage Attrition</li> <li>Reevaluate Raytheon Contract</li> <li>Develop and Pilot an Employee Incentive Program</li> <li>Streamline PCA Monitoring</li> </ul>	<ul style="list-style-type: none"> <li>Automate Manual Functions</li> </ul>	<ul style="list-style-type: none"> <li>Outsource Auditing Function</li> <li>Outsource AWG Function</li> <li>Outsource Hearings Function</li> <li>Outsource Loan Services Function</li> <li>Consolidate Regional Offices</li> </ul>



# Collections Organizational Plan

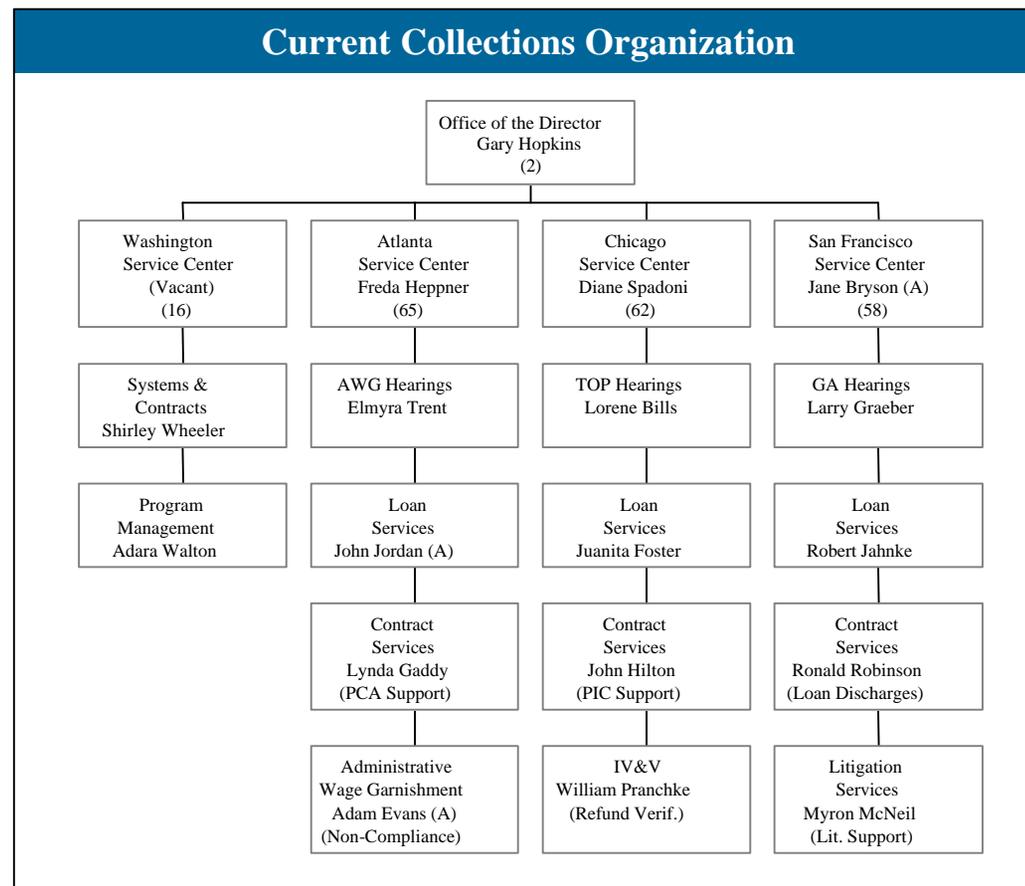
This high-level approach and timeline outlines the steps necessary to understand Collections current organizational environment, the impacts of modernization, and to clarify the strategic vision for a future operating model.





# Collections As-Is Organization

The current Collections organization consists of 203 employees in four regional service centers. Business process reviews, interviews and research were conducted to understand the organization. The goal of the analysis was to identify opportunities to eliminate duplication, and leverage resources to meet the organization's performance based objectives.





# Potential Change Opportunities

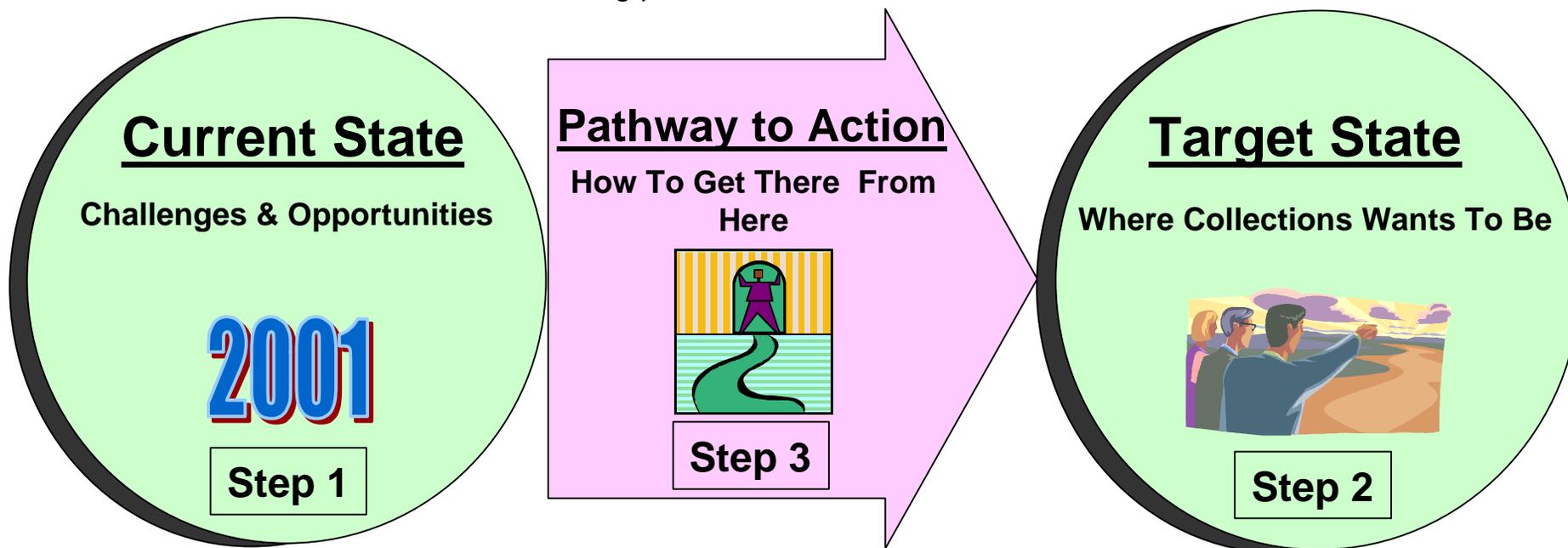
Organizational Opportunities	Level of Effort	Key Issues/Considerations
<b>Manage Attrition</b>		<ul style="list-style-type: none"> <li>Understand the full impact and timing of attrition and to manage strategically. (Attention to when employees are eligible for retirement)</li> </ul>
<b>Develop Employee Incentive Program</b>		<ul style="list-style-type: none"> <li>Develop and pilot an employee incentive program to recognize and reward teams and individuals while increasing employees satisfaction</li> </ul>
<b>Streamline PCA Monitoring</b>		<ul style="list-style-type: none"> <li>Reevaluate the current relationship structure to determine the work load level to monitor the number of Private Collection Agency's (PCA)</li> </ul>
<b>Review SFA Contracts</b>		<ul style="list-style-type: none"> <li>Review SFA contracts to eliminate duplication and coordinate modernization efforts.</li> </ul>
<b>Automate Manual Functions</b>		<ul style="list-style-type: none"> <li>Automate the account transfer process for litigation to Department of Justice if not able to outsource</li> <li>Automate the Hearings function if not able to outsource</li> </ul>
<b>Outsource Auditing Functions</b>		<ul style="list-style-type: none"> <li>Outsource auditing function and/or develop an internal auditing team responsible for auditing the PCA's and PIC once a year</li> </ul>
<b>Outsource AWG Function</b>		<ul style="list-style-type: none"> <li>Contract the AWG function to PCA's or through common servicing</li> </ul>
<b>Outsource Hearings Function</b>		<ul style="list-style-type: none"> <li>Outsource Hearings function since Hearings are prepared and processed by the PIC or Guaranty Agencies. SFA provides oversight, sign-off approval and processing oral hearings if requested</li> </ul>
<b>Outsource Loan Services Function</b>		<ul style="list-style-type: none"> <li>Outsource Loan Services and coordinate work efforts with Mod.Partner's Consistent Answers to offer one call-in number</li> </ul>
<b>Consolidate Regional Offices</b>		<ul style="list-style-type: none"> <li>Consolidate the four service centers to one or two locations to reduce costs</li> </ul>

	LOW		<b>Level of Effort</b> = Amount of integration/complexity and time required in terms of technology, process and people.
	MEDIUM		
	HIGH		



# Visioning Process

After potential change opportunities were identified, key stakeholders met to come to a common understanding of the Collections vision – i.e., where the organization wants to be and how to get there. The model below describes the visioning process.



- Outsourcing Duplication
  - Hearings
  - Public Inquiries Contract
  - Inbound Calls
  - Contract Services
  - Internal Validation & Verification
- Managing Attrition
- Automate Manual and Legacy Systems

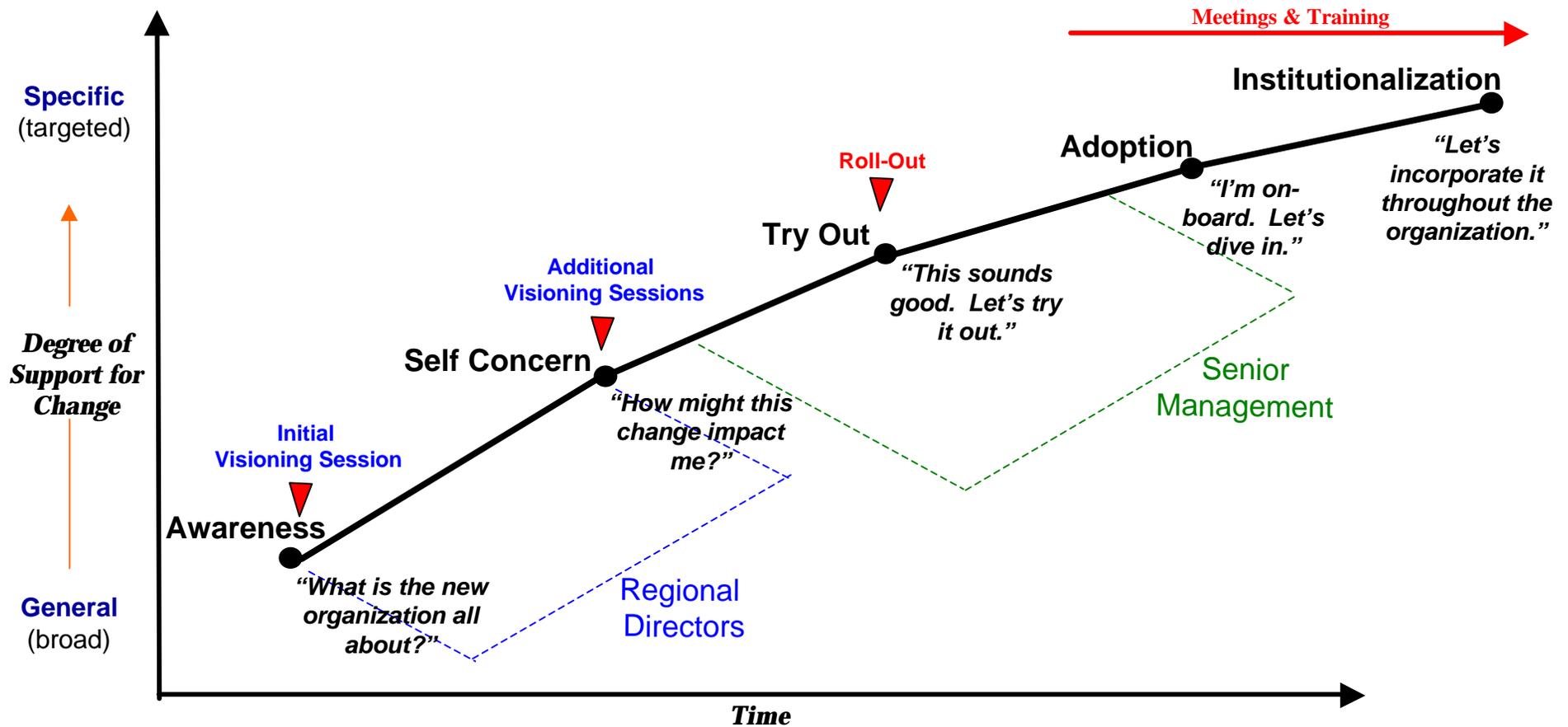
- Consistent Answers
- Direct Loan eServicing
- Portal Student View
- FARS
- DLSS Reengineering
- DMCS
- Organizational Transformation

- Spend more time on **program management and analysis**
- Manage processes/relationships with operating partners - **increase efficiency**
- **Better use of systems** – linkage
- Consider additional, **strategic outsourcing**
- Need to consider **essential skills**
- **Incent contractors on results** not number of widgets – drive the right behavior
- Improve customer service, increase employee satisfaction and reduce unit cost 7



# Change Acceptance Curve

The diagram below illustrates how organizations and individuals go through the different stages of understanding and commitment as they adapt to change. This diagram serves as the framework for guiding the stakeholder involvement process throughout this effort.





# Description of Deliverables

Organizational analysis and support activities associated with this SCM/Collections effort took place from June 2001 to October 2001. Major task modules included the following:

<b>Regional Interviews</b>	Includes a series of interviews designed to gather an understanding of the current Collections organization (functions, structures and business processes)
<b>Checkpoint Meeting</b>	Reviewed preliminary findings of change opportunities with the Collections leadership team
<b>Organizational Assessment</b>	Includes current Collections best practices, potential change opportunities and a pathway to action
<b>Best Practices</b>	Includes organizational best practices and industry standards
<b>Visioning Sessions 1 &amp; 2</b>	Includes agendas and notes about the vision of Collections
<b>Hearings &amp; Loan Services Findings</b>	Includes process flows and matrixes outlining the functions and business processes of Hearings and Loan Services
<b>Strategic Organizational Timeline</b>	Includes a high level framework that allow you to focus on the “big picture” events to successfully transform organizationally.

A description of each deliverable is described and enclosed in this package.



## Next Steps

- **Continue Visioning Session with Regional Directors**
  - Provide management support for managing attrition
  - Meet with Calvin Thomas to understand HR policies
  - Meet with Consistent Answers to understand Target State
- **Detail description of the Contract Services branch**
  - Suggest ways to streamline PCA monitoring
- **Detail description of AWG, IV&V and School Closings**
- **Begin Development of Employee Incentive Program**
- **Coordinated Modernization initiatives**
- **Review SFA Contracts**

