Value Change Strategy
Maximising Potential and Reach

Do you have a value change strategy for your business or institution that will drive the changes necessary to create and expand market opportunities?

Michael Porter’s value chain model popularised in his 1985 best-seller, “Competitive Advantage: Creating and Sustaining Superior Performance” focuses on analysing the activities of a business to ensure that operations and processes are efficiently and effectively aligned to deliver an end product/service that satisfies customers needs - i.e. provides the customer with a unique value proposition.

The primary focus of this model is on cost, process, quality and service efficiency to maximize value added at every stage of the business operations.

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Since the publication of Porter’s traditional Value Chain Model where inputs, processes and outputs move in a linear fashion, there have been several reconfigurations proposed by others to take into consideration the dynamic interactions between the company, supply networks, product development, customer relations, partners and other collaborators. However, there still seems to be a missing link in the value chain models — a Value Change Strategy integrated into the value chain model to leverage market potential and opportunities in an ever changing global marketplace.

Key to this proposition, is the need to create market impacting business changes i.e. value changes, that extend, connect to and expand the business’ markets.

The notion of value change strategies to increase market potential, connections and reach is even more compelling for businesses in small island states competing with global conglomerates in far off shores for the same local market space. While the traditional value chain model focuses on operations, product and customer excellence, it does very little to address the changes required to drive market opportunities and expansion.

The mere construct of a better mouse trap buoyed by excellent service may not automatically translate into significant market reach, connections and expansion. Strategic and often times radical business changes guided by a well developed change strategy are required to achieve this. So, is your business crafting and implementing a Value Change Strategy that will drive and expand market reach and opportunities?

SLW, Editors Note

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Entreprenuers succeed when they function as bridges between different kinds of networks.

...the seven Business Brilliance principles in the coming chapters will help you learn about yourself. You’ll see why it’s just as important to follow the money as it is to follow your passion. Why a “big idea” won’t help you succeed, but the person in the cubicle next to you probably can. Why your network needs fewer people, not more. And why you’re better off doing only the very few things that you do exceptionally well. You’ll also learn about some behaviours that are holding you back. Why you fail to ask for what you want at the very moments you’re most likely to get it. Why you feel bad when you win a negotiation. And why failure itself is a bad thing only if, like most people, you try to push it out of your mind by taking on something new...

People who have already achieved significant financial success understand that self-made does not mean self-financed. This is why know-who is more important than know-how...

...As he (Paul Orfalea, founder and CEO of Kinko’s copies) expanded Kinko’s from the one shop to 800 all over the United States and Europe, Orfalea claimed he managed his time by repeating the mantra, “Anybody else can do it better.” Looking back, he says that “every major success I’ve had in my life has come about because I knew that somebody, often anybody...could do something better than me”...

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The idea is to be prepared at all times to deal with your personal circumstances and avoid being over extended and unable to service your debt…

The financial crises which started in developed nations in 2007 have had devastating impact on the financial sector the world over. Closer to home in the Eastern Caribbean Currency Union (ECCU), financial and non-financial institutions in the primary lending market have been negatively affected by increases in Non-Performing Loans (NPL’s).

While NPLs are not a new phenomenon in the banking industry, it has certainly taken center stage in the primary lending industry in the ECCU. Lending institutions are now required to make greater provisions for “Bad Debt” or Non-Performing Loans. Customers are finding it much more difficult to meet their mortgage commitments. There is need to find a workable solution or balance under these circumstances. Primary lenders are certainly not in the business of selling people’s property. They would prefer not to have to foreclose on anybody’s property. Borrowers also have a critical role to play by keeping in touch with the lender at all times, especially at the first signs of trouble in meeting their commitment. Lenders are always willing to work with their customers.

A Non-Performing Loan is a loan that is in default or close to being in default. Many loans become non-performing after being in default for 90 days, but this can depend on the terms.

A loan is nonperforming when payments of interest and principal are past due by 90 days or more, or at least 90 days of interest payments have been capitalized, refinanced or delayed by agreement, or payments are less than 90 days overdue, but there are other good reasons to doubt that payments will be made in full.

The million dollar question is:

How can financial institutions and customers minimize the occurrences of high NPLs?

I wish to posit that a loan does not suddenly become non-performing. The quality of the mortgage underwriting practice/standard has a lot to do with the eventual outcome of a loan. It is accepted internationally that there are four (4) main steps in assessing a loan application. They are:

♦ Assessing the borrower;
♦ Assessing the property;
♦ Assessing the market; and
♦ Risk synthesis analysis.

If the underwriting policies and practices of lending institutions are weak or deficient, that too can contribute greatly to the increase in the instances of non-performing loans. Each of the above mentioned assessment must be thoroughly investigated. No one step on its own should be a determinant factor in the loan approval process. At the end of the assessment process a decision must be taken based on the merit of the assessments.

Additionally, the necessary safeguards or remedies must be built in the mortgage offer letter to mitigate possible unforeseen circumstances. For instance, such safeguards or remedies include adequate life insurance, fire and peril insurance, salary assignment, good title deed or certificate of title, stability of the applicant’s job, proper valuation of the property, knowledge of the local, regional and international economic conditions as well as other market related factors. Each mortgage contract will require different remedies based on the red flags or threats identified during the assessment of the loan application information submitted by the customer.

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Customers must also assess their own affordability situation. It is always advisable to work with a loan that can be serviced comfortably. Borrowers must avoid over extending themselves with little room to play in times of crises. Remember, no more than 30 per cent of your income should be committed to providing a shelter over your head. It is also important to cater for rainy days. Other cost related to property tax, property insurance, life insurance, health insurance, children’s education and other basic needs must also be taken into consideration when contracting a loan.

It is accepted that a country’s economic fortune can change over time. Individual financial circumstances will also change. The country might be hit hard by some form of natural or man-made disasters, one can lose a job or fall ill. The idea is to be prepared at all times to deal with your personal circumstances and avoid being over extended and unable to service your debt.

This article was submitted by Dennis S. M. Cornwall, Manager, Research and Marketing, ECHMB as part of the activities commemorating Financial Information Month, October 2013, celebrated under the theme “Reshaping Our Future – Starting Now”. The views expressed in this Article are those of the author and not necessarily those of the Eastern Caribbean Home Mortgage Bank.
Financial Information Month 2013 Photo Gallery cont’d

Commonwealth of Dominica - Library Hour and Presentation to Cancer Society

Financial Walk

Antigua

Participants from the community and the nation’s eight banks assembled at the U. C. Cuppin, Saturday afternoon to take part in the Eastern Caribbean Central Bank (ECCB) Financial Information Month activities (#Photo by Kyle Chimakura)

Walkahton—Nevis

Primary School Visits—St. Kitts

Walkahton—St. Kitts

Financial Fair—Grenada

Financial Fair—Grenada

Community Workshops—St. Kitts

Charity Outreach—Nevis

Do you have an INNOVATIVE Business Idea?

Charity Initiative

A little giving makes a BIG difference

Financial Information Month 2013

Your Finances...Your Future

Reshaping Our Future

Starting Now