

Deep Pockets

Inside Line, July/August 1995

Have you ever thought, that given the chance, you could run a company?

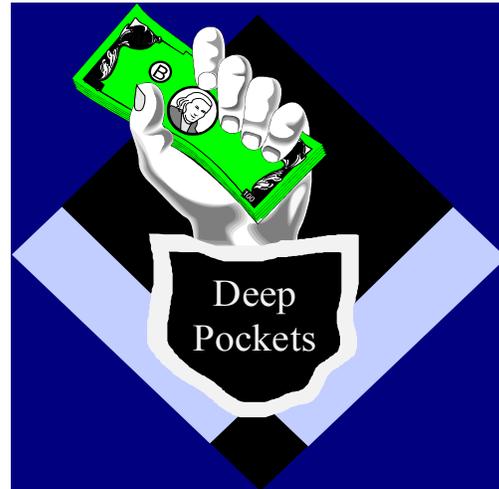
Recently, twenty four key managers from Advanta Mortgage and Advanta Finance were given just that opportunity using computer simulation. And, not because Milt Riseman, President, is looking to replace himself.

The purpose behind the simulation, according to Milt, was “to give the participants a good understanding of the levers that can affect corporate performance and how they interact with each other. And to understand how decisions made deeper in the organization, such as in underwriting or in sales, impact corporate performance. In essence, they’ll be sitting in my seat and making the kinds of trade-offs that I need to make to achieve our business goals.”

Working in teams of four, the group participated in a computer simulation laboratory where each team mapped out its plans for rescuing and growing Deep Pockets, Inc. a struggling (but fortunately, hypothetical) company they had “inherited.”

The objective was to turn the company around and increase shareholder value over the next three years by profitably originating and servicing home equity loans.

Advanta Mortgage worked with a group called PriSim Business War Games to develop the computer simulation exclusively for Advanta Mortgage. Jim Shreero, Vice President of Finance and Accounting facilitated the effort together with several key managers who shared their perspectives in our business.



The mortgage banking business often tends to reward volume as the key measure of success. The key measure used by Deep Pockets, Inc. was “ROE” or Return On Equity. As a result, success reflects the optimal balance of volume, price, risk and cost.

The teams, in an effort to improve their businesses, would make their decisions in several different areas such as, underwriting, credit policy, sales and treasury. As they explored various possibilities for increasing returns, and manipulated information, they could see how a change in one immediately impacted all the other areas.

“It was interesting to experience all of the trade offs necessary to make the best decision without really having to pay the price,” commented Bill Garland, Senior VP, Loan Servicing.

“Actual experience is such a demanding teacher,” added Jeff Lucas, Vice President, Wholesale Lending.

Simulation is great. Where else would we get the chance to run a business for three years in just 10 hours with all the resources we need. We really learned a lot.

“The process involved the six teams meeting together via the Video Conferencing rooms in Ft. Washington and San Diego for the initial presentation. The teams then separated for two hours to work with the computer simulation program, planning, analyzing and manipulating data, to develop their proposals for the upcoming year. Afterward the groups reconvened to review the teams’ recommendations. The process was repeated for year two and again for year three. “Each team came up with a different plan. It was interesting to see consequences of each decision made by each of the teams,” Bill Garland said.

Others in the Mortgage and Finance companies will be invited to participate in the program. “I think it will be a great exercise for those deeper in the organization,” commented Cynthia Woodring, V.P. Marketing-Indirect. “People get focused on just what they do and often aren’t aware of the bigger picture.”

Jim Shreero concluded, “We intend to enhance the simulation experience, learning from our first effort, and offer it to a broader group within Mortgage later this year.”

“The program forced us to think ‘outside the box.’ It’s made me more conscious of other components and gave me a more global perspective of what I do.”

Cynthia Woodring
Vice President, Marketing-Indirect

“It was great. It got everyone unified toward a common goal. It sharpened my focus on where it’s a good trade off to take on more expenses for more volume.”

John Crisler
Vice President, Marketing-Director.

“It reaffirmed some of our decisions that we made on a gut level. It’s influenced our decision making process.”

Greg Pint
Chief Credit Officer, Advanta Finance

“My people are charged with delivering volume, I’m anxious for them to experience this program. It will give them a new perspective on why we can’t always approve the way they want a deal constructed.”

Jeff Lucas,
Vice President, Wholesale Lending