

# BLUE-PRINTING



# INNOVATION



*Tech-savvy banks plan out their strategic IT objectives in advance*

BY BRIDGET MCCREA

**E**very month Jeff Dick carves time out of his busy schedule to sit down to talk technology with his community bank's chief financial officer, head of operations and two IT gurus. This informal "technology committee" is a critical part of the overall technology plan for MainStreet Bank in Herndon, Va., and they discuss everything from phone systems to computer purchases to tech spending. They prioritize their resources along the way to come up with an overall vision that gels with the \$120 million-asset institution's overall strategic plan.



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“We focus on spending more than anything else,” says Dick, CEO at the two-location, 45-employee community bank. The monthly meetings dovetail an informal plan that’s focused less on creating branch infrastructure, and more on using state-of-the-art technology to grow the bank. Take the bank’s “Put a Bank in Your Office” trademark, for example. To support the effort, the bank’s tech committee implemented a remote deposit scanner system in 2005 that allows customers to scan and deposit checks without leaving their offices.

MainStreet Bank also benefits, according to Dick, who says the institution’s back-office proof operations were eliminated as a result of the tech investment. “Our committee was less organized at the time, but the same players were in place and we worked through the purchase and implementation of that system,” he says, pointing out that the group was particularly concerned about the possibility of fraud.

The issue was addressed through the use of a system that rejects checks if or when they’re deposited twice, and with the use of velocity settings. With these settings, a restaurateur who typically deposits fewer than 30 checks per month worth less than \$25 each, for example, would raise a red flag in the system if he deposited a higher volume of higher-value checks.

“We get a notice about the activity and are able to address it appropriately,” says Dick. “It’s pretty robust technology that’s working out well.”

### **Do Your Homework**

Credit MainStreet Bank with doing its homework *before* making that tech investment, and for effectively marrying such tech investments with an overall vision to increase the level of service and number of products that it provides to its business customers. Unfortunately, not all community banks are so diligent during the planning stages, and they frequently end up wasting

## Four Technology Tips

Technology and banking experts offer the following bits of advice to institutions looking to expand their technology repertoires and become more successful in today’s high-tech business world:

### **TECHNOLOGY AXIOM**

*Change is the Only Constant*

**Cary Whaley, ICBA’s associate director of payments and technology:**

“Nimbleness will get you a long way, but having a regimented plan will ensure that you are able to compete and that you can keep up with those changes—and not end up wrapping your bank around an antiquated technology.”

### **INNER TECH VOICE**

*Listen to Your Stakeholders*

**Kathleen Khirallah, managing director of Needham, Mass.-based TowerGroup’s banking practice:**

“Pay attention to the signs that it could be time to add to, upgrade or augment your technology. The impetus may come from the market itself through clients or from business units that are out there talking to clients.”

### **TECH VISION**

*Know Where Your Bank is Going First*

**Jim Sizemore, senior vice president and CIO at FIS-ERV Information Technology Inc., in Brookfield, Wis.:**

“Once you know what you want your bank to be, you can figure out how technology can get it there. Ask yourself where you want to be in three years and what the revenue and growth drivers will be, and determine what technology, functions and features will be required to get there.”

### **TECHNOLOGY GAME PLAN**

*Stick With What Works*

**Raj Patel, a partner with Plante and Moran PLLC in Southfield, Mich.:**

“If you’re already using one of the standard banking systems, it’s not difficult to add on new platforms. Most vendors have their own internal teams that handle these upgrades, with the only challenges being those that come up, if and when, you need to install a different operating system.”

valuable money and time during the process.

“There’s a tendency among community banks to substitute tactical nimbleness for strategic planning,” observes Cary Whaley, ICBA’s associate director of payments and technology. Whaley sees the tendency as both a blessing and a curse. “Community banks have a natural advantage in that they can implement technology more quickly than some of their larger counterparts, but making the parts fit together and all of the products work at the highest degree of proficiency doesn’t happen by accident. It takes planning.”

In MainStreet Bank, for example, Whaley sees the institution’s efforts to use remote deposit as a way to attract and retain new business banking customers as a competitive advantage.

Of course, once those systems are in place they need to be able to work together with one another—something that not all banks consider and that not all systems are able to do adequately. Whaley sees the issue of multiple vendor relationships as one of the biggest stumbling blocks for community banks in their quest to develop effective technology plans.

“Vendors don’t always work well together,” says Whaley. And even when a community bank is dealing with a single vendor (MainStreet Bank, for example, has used a single vendor since the institution opened its doors in 2004), the company often comprises separate business units and “different moving parts,” he says, that aren’t always conducive to a streamlined experience for the bank. “You can have compatibility issues even with a single vendor.”



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That's where a community bank's technology plan comes in. At Citizens National Bank of Texas in Waxahachie, an "automation committee" oversees the \$450 million-asset bank's plan. With 18 locations and 200 employees, the bank uses Metavante for core processing, BankWare for check processing and Microsoft Windows for administrative functions. Those tech decisions were primarily made by

become a key component of Citizen National Bank's strategic objectives. All of the bank's projects, for example, are housed in the CRM system, complete with minutes of meetings and a record of e-mail correspondence. The system has been customized—through the addition of e-mail notifications and reminders for salespeople to follow up with customers, for example—on numerous occasions over the last couple of years.

Singleton sees the CRM investment—despite the debacle surrounding the original system—as being “dead on” with the institution's overall strategic plan. “When examiners come in and want to see what the heck is going on, it's all in one easily accessible spot,” says Singleton. Up next for the bank's technology plan, he says, is the purchase of software that

can handle the lending process from the credit application to the closing of the loan, and then the follow-up letters (such as one dictating the need for insurance).

Singleton isn't sure his automation team will find the right match, but he's keeping his hopes up. “Each vendor seems to have one little piece of the puzzle, but no one has the whole thing,” Singleton laments. “I don't want to go out and write a new credit decisioning engine or analytics tool. I'd rather take the ones we're using right now and have QuickBase serve as the glue that holds them all together.”

### **Time to Automate**

Before sitting down to draw up a technology plan, Whaley suggests banks take a step back to figure out exactly what they want to accomplish and how technology can help lower the cost of getting there. Consider the most efficient way in which to serve customers, he adds, and the rest will fall into place. He points to First Choice Bank of Geneva, Ill's decision not to branch out physically, but rather to use technology to reach more customers, as a good example of how a community bank's early due diligence and planning can pay off with bottom line savings.

“Technology can help answer the ‘branch or not to branch’ question that so many community banks are asking themselves,” says Whaley. To ensure that

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— CARY WHALEY, ICBA PAYMENTS EXPERT

the committee, which is made up of a group of executives and managers who consider technology options and decide whether the bank and its customers would benefit from their implementation.

A few years ago, the group selected a customer relationship management (CRM) system for the bank, which was ripe and ready to install and uses an automated process for targeting customers for marketing pitches. It didn't take long for president and CEO Mark Singleton and his team of techies to realize that the system Citizens National had purchased did *not* fit well with the institution's overall strategic plan.

“We'd been pushing CRM for several years, but the system didn't meet any of its original expectations,” says Singleton. Early warning signs included an engine that was company-centric versus customer-centric (the latter of which was extremely important to the bank). Key functions that the bank was looking for from the system included the ability to dictate and transcribe information and sync its Microsoft Outlook calendars into the system.

Realizing that their original choice wasn't in line with the bank's overall vision, Singleton switched over to QuickBase, an Intuit small business product that the bank was able to deploy quickly, thanks to what it had learned from its hands-on experience with the initial vendor.

What started out as a way to retain an automated paper trail of sales calls and transactions has since

a technology plan is not only developed, but also implemented, he advises getting buy-in from the CEO and board level. Make it part of the bank's overall culture, he adds, and follow other bankers' leads by including operations personnel, auditors, lending professionals or IT gurus on a team that meets regularly to review tech options, make recommendations and determine what is (and what isn't) worth spending money and time on.

Right now at MainStreet Bank, the technology committee is looking for a way to cut the number of online username/password sign-ins from two to one for business banking customers, who have to re-enter the information to use the bank's automated clearing house portal. "We want a single sign-on," says Dick, who sees a more streamlined online check-in as yet another feather in the bank's business banking cap.

Dick says he'll also be working to formalize his bank's technology plan as a way to gain more

benefit from it. He suggests other ICBA members take a similar stance when it comes to technology, and advises all such institutions to set up tech committees comprised of individuals who are on the same page.

"It's easy to start going in different directions," says Dick. "Put one person in charge of the meetings, maintain minutes and ... make sure projects are getting done and that you're not overspending."

Avoid this step, says Singleton, and you could find yourself in trouble pretty quickly with the huge number of technology solutions being pushed on banks in today's high-tech business environment. "As banks, we all offer the same thing: service," he says. "The reality is the banks that win the game will be those that offer high service with the fewest number of employees. Automation is the only tool that we can use to accomplish that." **ib**

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