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Profits May Be Locked Up in Your Bank's Technology

By Bob Stevenson

Most community banking organizations use just 15 to 25 percent of the technology already available to them in their core processing system and program applications. This underutilization bears out even when a bank installs a new high-end core system or software suite, and management's expectations are high that the technology will garner new profits, lessen risk, improve compliance, or serve another strategic need.

Underutilizing technology that you've already paid for has a variety of consequences, depending on why you installed it in the first place. Bank executives generally cite six reasons for upgrading core processing systems or purchasing new software:

1. Mitigate risk with technology-based risk management solutions;
2. Seek greater cost effectiveness — that is, higher return on investment through cost savings and revenue generation;
3. Improve customer service and response time;
4. Stimulate sales, enhance the product line, or maintain competitiveness;
5. Replace obsolete technology or offer service enhancements; and
6. Ensure regulatory compliance.

Each of these reasons for acquiring technology is important in its own right, but regulatory reasons trump all. Even many of the smallest asset-size banks are finding that installing technology is necessary to satisfy their compliance obligations in high-risk areas, such as the Bank Secrecy Act, anti-money laundering, and identity theft.

Some business decisions mandate the use of technology, such as to enable multifactor authentication in Internet banking.

As technology increasingly drives the banking business, underutilization has proportionately greater consequences. While the highest-performing banks tap 65 to 80 percent of the capability at their disposal, most banks have ample room for improvement and greater profits to be realized without acquiring any new systems or software. The idea is to unlock the full breadth of technology capabilities already available to you in your core processing system or applications.

But where are those hidden opportunities? Even if your vendor has ably handled the conversion process and provided adequate training and support, at some point your bank's people are on their own to make full use of the technology's features and functions, particularly when new software releases become available. But in most instances, rather than changing the bank's structure and processes to make maximum use of the technology, most banks try to retrofit their old processes and methods to the new technology in order to continue doing things as they have always done.

A common example of underutilization that affects the bottom line is check imaging. Nearly all banks are imaging checks now, but many are still sending the imaged checks to customers on paper. Imaging systems support electronic statement distribution, but many banks have stopped short of full implementation. The same is true of customer relationship management systems. Sales-averse bank employees may steer around the prospecting and contact tracking features and continue waiting for customers to approach them. Underutilization

is rampant even at community banks with chief information officers. Such employees tend to be fluent in PC-based systems or networks and do not have the skills or authority to leverage all the available power residing in the technology.

To crack the 15-25 percent technology utilization ceiling that impedes most small to mid-sized banks, management needs to fully reevaluate the technology after initial adoption to determine whether the bank and its people and processes have actually changed with the technology. Close the loop by:

- Making sure your original reasons for implementing the technology are being realized;
- Looking at structure and processes to see whether the old system's parameters and work flows have merely been layered on top of the new system;
- Finding out whether employees are clinging to old habits, creating redundant paper processes, or otherwise shrinking from using the system's features and functions;

- Asking how well the vendor has met its responsibilities to fully train and support bank personnel;
- Determining whether software updates are adopted when released, or whether the bank's technologist prefers jury-rigged workaround fixes;
- Evaluating communications between the technologist and end users. Have line managers taken ownership of the technology, and do they champion its implementation to staff?
- Looking in the mirror. Has executive management remained fully attentive after the technology conversion or acquisition to monitor full implementation? Does executive management lead the way by using the technology?

A thorough evaluation of your bank's technology utilization will help you fully access the power that you already own to improve profits, avoid risks, enhance customer service, and achieve compliance. For more information on Sheshunoff Consulting + Technology, please call 800-477-1772 ext 695.



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