

TECH SUPPORT

ICBA's Techworld trade show offers the latest in community banking technology products and services

BY CAROL PATTON

See "Avoiding A Tool-Driven Bank Culture", by Jeff Judy, Starting on Page 2

Last November, thousands of customers at German American Bancorp in Jasper, Ind., received automated phone calls stating that their accounts were frozen by the community bank due to suspicious activity. If they wanted to reactivate their account, they had to dial a toll-free number and enter their debit card number, expiration date and personal identification number.

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SPECIAL CONVENTION FEATURE

Avoiding a Tool-Driven Bank Culture

BY JEFF JUDY

Two bankers walk into a bar Make that, two new, prospective borrowers walk into two different banks. They both start loan applications, and both bankers are good, friendly representatives of their respective institutions. As the two applications are completed, the two prospective borrowers happen to ask the same question of their bankers: "What happens next, with all of this information?"

The first banker answers, "I use some software to learn more about your needs and resources. That way, I can get a better picture of whether you're in a position to handle this debt, and under what conditions. I'm looking for an arrangement that you can manage comfortably, that meets your needs as far as possible, and that also is good for the bank."

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The second banker says, "It all goes into the computer, and it tells me whether you get the loan, and the terms."

Given those answers:

- Which bank will win a new customer?
- Which banker has better cross-sell and up-sell opportunities?
- Which banker has begun a relationship that generates customer loyalty?

Both bankers were charming and sincere in their wish to satisfy the customers. But one used a tool to better understand the customer. The other worked for the tool as an information-gatherer, and the tool is really dealing with the customer.

Technology is vital to banking, there is no getting around that. We see another sign of that in the 2008 ICBA National Convention and Techworld in Orlando next month, where banking topics and technological tools will be featured side by side. But there are a lot of choices still left to individual community bankers. How you work with your technology and your customers can make a world of difference to your market share, even up against the big banks.

Wagging the Dog

Customers are funny. When they meet a banker, they expect to meet a person. Most of them are perfectly happy to work online, or through an automated phone system, when it suits their needs. But when they contact a real, live person, they want a real, live person to talk back to them. They don't want a mouthpiece for a machine, like some kind of "human interface" between them and the cogs that drive the whole enterprise. They want to talk to the dog, not to the tail.

While all banks are tempted to let the tail wag the dog at times, big banks find it much harder to tell where the

TECHWORLD WORKSHOPS

Learn more about the technologies featured on the Techworld floor by stopping by the following workshops.



Disaster Recovery in Planning and Practice

What are regulators looking for in your disaster-recovery plan? Explore real world examples of community banks that actually implemented their plans. Thought-provoking case studies offer a compelling push to revise your bank's disaster-recovery protocol. Speaker: Raj Patel, Plante Moran Inc. Southfield, Mich.

IP Telephony—In Plain English

Everywhere you go, VoIP or IP telephony is being talked about and pushed as the latest, greatest thing. Learn how this technology can benefit you—presented in layman's language! Speaker: Tom Pavek, Elert & Associates, Stillwater, Minn.

The Check 21 Business-Wisely Implementing Solutions

Learn about the current state and adoption pace of Check 21-related services. Hear a regulator's perspective on how to evaluate and implement remote deposit capture. Speakers: Fred Herr, Federal Reserve Bank of Atlanta, Birmingham, Ala.; Kenneth G. Fulton, Federal Reserve Board of Governors, Washington, D.C.

The Value of Integration

Community banks need the benefit of efficient, innovative end-to-end solutions. Find out about the power of integrating core processing, credit and debit card services, bill payment, remittance processing, commercial lending and more. Speaker: Brad Mason, FIS, Jacksonville, Fla.

FDIC Data: Content and Analytics

With the volume of data available to community bankers, it's challenging to distill it down to useable content. Hear an FDIC representative highlight the latest enhancements and explain how to effectively use FDIC data and analytics to answer common questions. Speaker: Edward Simons, FDIC, Washington, D.C.

Minimize Your Application Systems Capacity Gap

Most community banks only use 40 percent of their existing computer systems' capabilities. The remaining 60 percent makes up the "application systems capability gap." Examine the gaps that exist and how an effective technology governance structure can help you manage those gaps so you can take better advantage of your systems. Speaker: Dean Schumann, RSM McGladrey Inc., Minneapolis, Minn.

Payments—Today's Trends, Demographics and Emerging Technologies

How we make payments today is nothing like how we'll make payments tomorrow. Learn about wireless technology, RFID, personalized cards, prepaid trends and more. Discover how to develop a strategy to stay on top of your technological game. Moderator: Kevin Bell, ICBA Bancard, Washington, D.C.

Improving Perspectives on Fraud—Monitoring, Detection, Prevention

Hear about the dynamic tools and techniques in place today that keep consumers safe from computer network security breaches and keep your community bank a symbol of safety and security in your customers' eyes. Moderator: Alan Nevels, ICBA Bancard, Washington, D.C.

Future of Check and Electronic Payments: 2007 Research Results

Learn more details about the findings from ICBA and the Federal Reserve retail payments research that provides insights into the community bank payments marketplace. The research offers ideas on which products and strategies community banks employ to enable their customers to send and receive payments. Receive information to benchmark your bank's payments products and strategies with its peers. Speaker: Jack K. Walton II, Federal Reserve, Washington, D.C., Viveca Ware, ICBA, Washington, D.C.

Q&A: Technology Regulatory Issues

Hear a senior FDIC regulator answer your questions on technology regulatory issues, including securing customers online, IT exams and technology risk management. The better the questions from the audience, the better the answers from the regulators! Speaker: Michael Jackson, FDIC, Washington, D.C.

dog ends and the tail begins. That opens the door for community banks to outperform their larger brethren and gain market share as they build customer loyalty.

Complex tools require internal and external specialists to install, operate, and maintain them. And most of these specialists do what they do because they really love their technology. All that investment, effort, and expertise tends to skew everything toward the dog's tail, far from the head.

You can easily see the symptoms of an overly tool-driven culture:

- Annual strategic planning and budgeting simply extends the current status quo, rather than explores possibilities. Instead of deciding what you'd like to the bank to be, you look at what your tools do now, and add on additional functions for next year.

Meet the Author

Community bank consultant Jeff Judy will lead two workshops on Monday, March 3, at this year's ICBA National Convention and Techworld in Orlando, Fla., in March.

Managing Credit Risk in Uncertain Times

With the multitude of changes in the marketplace today, it's more important than ever to be watchful of your institution's credit risk. Every loan decision is a portfolio decision so it is imperative you understand your portfolio.

Successfully Growing Your Loan Portfolio

With competition from more sources, sustaining that growth is difficult. Learn how you can differentiate yourself so your financial services are no longer a commodity—promoting these value-added services will bring you new customers.

- You spend too much time pretending that these tools don't make decisions or constrain transactions. In a healthy environment, the bankers know what they do and what the tools do. In a bank where the tools have taken over, everyone pretends that they haven't.
- You can hear it in the language employees use. When bankers and analysts stop using "I" and start using "it" to discuss matters with customers—"the computer says ..."—you are already in trouble.
- The question, "How can we use this tool?" is heard frequently, the question "Should we use this tool?", never.

Whose Tool Is It?

As tools become more important, we start acting as if they are in charge of things, even as we spend more time and energy denying that tools run everything. Take credit scoring of small business loans as an example. For reasons of morale, if nothing else, most banks go to great pains to say something like, "The decision is ultimately the banker's." But that's usually lip service.

Let's be honest and admit that more often than not, the recommendation made by the software will be the credit decision.

That can make it hard to think of credit scoring as a tool of the banker. But the credit scoring system is a tool, not so much of the banker, but of the bank. The criteria the system uses are determined by the bank, and when and how the banker uses the system and communicates with the customer about it are decided by the bank.

So when customers ask, "Who makes the decision, the banker or the software?" they shouldn't get an either-or answer. The bank makes the decision, which is delivered by a banker, who uses software tools to get the job done. The

best bankers use skill and a great attitude to deliver the results of automated analysis as the decision of the bank, rather than as the decision of the software.

Leverage Tool-Using

When community banks put their tools in their proper place, as valuable components of the overall business of working with customers, they leverage their technological investments through their human resources for optimal results. Again, you can see the 2008 ICBA National Convention and Techworld as a microcosm of the ideal: Great ideas (for the bank) next to great tools (technology), pulled together to be implemented by great people (the bankers).

While community bank hardware and software may not match the breadth and sophistication of what is available in the national financial services companies, smaller organizations are less dependent on those tools, use them with more flexibility and enjoy a much shorter chain of communication with their employees (and customers).

Plans, people and resources make a bank—in that order. Perhaps, in a future reminiscent of a gloomy science fiction story, the day will come when a machine is a bank, with no vision to guide it, no people to handle it.

But we aren't there yet, I'm pleased to say. To keep your bank at the top of your market, stop thinking about what technology does in your business. Start concentrating on how your bank uses people and technology together to execute your vision, and look forward to outstanding results. **ib**

Jeff Judy is principal of Jeff Judy & Associates, a community bank consulting firm in Bloomington, Minn. Judy is a regular ICBA seminar instructor and a regulator workshop instructor at ICBA National Convention and Techworld.