

NEEDLE IN A HAYSTACK

by [Steve Brown](#)

Community bankers are always telling us how hard it is to find talented lenders. No matter how much training is available or conferences are attended, finding high quality lenders is often more difficult than finding a needle in the proverbial haystack.

While lenders are difficult to find, one often overlooked area is finding a high-quality Chief Information Officer (CIO) and defining the role that person should play within the organization. Given the changing face of banking, technology plays a critical role. Oddly, the critical nature of this position is often ignored, despite numerous complaints about website design, a slow remote deposit capture launch, weak online cash management capabilities and many other technology-driven issues. There is no arguing that technology is advancing at a rapid rate and the role of the CIO is changing right along with it.

Research in the banking industry finds that more and more banks are splitting their IT into 2 primary channels. The first is best termed commoditized technology, while the second is strategic in nature.

On the commoditized front, outsourcing is becoming more common. Community bankers realize they need more focus from their IT team on integrating strategic and business goals with technology. That is why such mundane tasks such as network support, email, VOIP and other tasks are being outsourced more and more frequently. For bankers new to outsourcing, consider starting with non-customer facing applications. Doing so inherently limits the impact of outsourcing on customers. Done properly, outsourcing should also simultaneously expand IT capabilities and flexibility.

Given heavy competition and a need to keep technology costs in-line (while enhancing capabilities), doing everything in-house just isn't practical these days. Community bankers will be much better served if they can free up precious IT time to allow for a more rigorous focus on strategic aspects of technology and business integration. This strategic focus takes IT from a cost center to a profit center and ensures management receives direct and timely feedback on strategic initiative progress (while making certain that customers are supported and service quality is maintained).

In short, the trend in technology is for the entire IT unit to be treated as part of the business groups and processes they support. Effectively run units understand and treat both inside business units and outside clients as customers of the IT department.

In addition, community banks should look to leverage IT not only as a way to reduce costs and improve efficiency, but also as a format to enable business growth, improve performance and enable innovation. IT should be so embedded into business processes that it drives top-line growth, creates new distribution channels, assists in segmenting customers and provides customer insight, to name just a few ways to improve.

In summary, community banks should take steps to make sure their IT groups are not merely in support mode. In addition, outsourcing of non-critical or non-customer facing applications should also be considered. The key to a properly-designed IT unit is to make sure its goals and objectives are aligned with strategic ones and that the unit is supportive of business units. Banks that can do these things will find themselves not only better positioned to improve performance and shareholder value

over the long-term, but they can do so without having to search through the IT haystack for the needle.

BANK NEWS

Housing Troubles

Freddie Mac, the 2nd largest credit risk at most community banks (behind FNMA), produced a net loss of \$2.02B. In response, the Company halved its dividend and hired Goldman/Lehman to raise capital.

Appraisal Fraud

The NY Attorney General filed fraud charges against eAppraisalT charging wrongful conduct. The case alleges that the Company allowed WAMU and other banks to handpick appraisers and influence project values.

Depressed Housing

D.R. Horton, the 2nd largest homebuilder in the country, is reporting a fiscal 4Q loss and its worst annual results in 10Ys. Meanwhile, the 5 largest homebuilders have reported a combined net loss of \$2.5B in their most recent quarter after writing down \$4.2B in land.

Cash Management

Wachovia will add a bad check recovery service to its online offerings to small business clients.

Thrift Update

The OTS released data on savings banks' 3Q performance. Earnings were up 6%, slightly behind banks.

Copyright 2021 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.