



OFF THE MAP

The Bank Leaders' Guide
to Data Transformation

deluxe.

Remember the good old days of navigating a road trip before GPS?

You would buy a map at a gas station, unfold it to the size of a bedsheet, and try to plot a course while driving.

If that was before your time, maybe you remember printing out step-by-step directions from MapQuest. The only downside was if you missed a turn, every subsequent direction was useless until you reoriented.

Now, though, we have real-time, constantly updated directions. Go off course, and your smartphone can recalibrate. Bad traffic ahead? Your app knows and will route you around it. Navigation is a whole lot easier with up-to-date data.

 The same is true for community banks navigating their way to sustainable growth. Many are still working with the business equivalent of paper maps or printouts: **Manual processes that rely on static spreadsheets.**

It's time for banks to take control of their data and unlock their full potential. With the right processes and technology in place, banks can set a course for a more prosperous future — without breaking their budgets in the here and now.

Read on for expert insights to help you reach your destination.





Plan Your Trip:

SECTION 01

Operational Efficiency

The journey of a thousand miles may begin with a single step, but a successful journey requires plenty of planning before you go out the door.

Start by auditing your current processes, technology and data landscape. It's important to have a clear snapshot of your organization pre-transformation, in order to spot every opportunity for improvement.

Pre-Transformation Auditing:

PROCESSES

- Performance management
- Budgeting
- Forecasting

TECHNOLOGY

- Data management
- Reporting
- Communications

DATA

- Cloud storage
- Local storage
- Sources

As with any major organizational change, it's crucial to plan how you will keep employees informed and secure their buy-in. If people feel that change is being forced on them, they are more likely to resist adopting new technology or processes. It's important to highlight the benefits of transformation — more meaningful work, better business intelligence, being set for future success — in order to secure employee support.





Chris Ortega
CEO, Fresh FP&A



Focus on a Smooth Journey for Employees and Customers

Roles within a bank have evolved to the point at which differentiation is vital. It's important for bank leaders to have a thorough understanding of what their internal and external resources need.

Moreover, banks need to meet their customers where they are. **Create frictionless, automated and easy to use processes** for sending and collecting money, centralized Treasury management, and personalized, proactive customer retention strategies. In a very fragmented market with many offerings, it's essential to take the pain out of core banking processes.





Jack McCullough
Founder and President,
CFO Leadership Council



Get Buy-In for Increased Odds of Success

In most situations, a major digital transformation project should be led by the CFO and CIO, which gets the two more important groups sold. But, it needs the full support of the top, including the board of directors, the CEO, and the entire C-Suite. With that support, it needs to be sold thoughtfully throughout the company. These decisions will affect the very nature of work for many of your employees, and you need to have their enthusiastic buy-in.



Tom Hershberger
CEO, Cross Financial



Choose the Right Metrics to Generate Insight

Not all insights come from account information and service utilization. Important metrics can also be developed using properly structured research methodologies. Valid assessments of customer and employee engagement can help evaluate the customer experience and drive relationship growth. Creating index scores to monitor engagement levels will provide management with useful insights to guide management activities and process improvements. Creating a reproducible Net Promoter Score (NPS), customer experience index, or future utilization index could prove to be a valuable addition to the metrics tracking changes in relationship dynamics and potential.





Marcia Malzahn
President,
Malzahn Strategic



Three Key Steps for Digital Transformation

Digital transformation touches every area in banking: from the teller line to the most sophisticated Treasury Management services for the top corporate clients. There are three key steps bank leaders must take to manage the digital transformation. First, leaders must adopt a “tone at the top” attitude and embrace technology in all aspects. Modern banking products use technology to deliver the services customers expect. Second, be willing to invest in technology which drives digital transformation. Thirdly, hire the right talent with the knowledge and expertise to implement and maximize technology in every area of the institution.

Set the Route:

SECTION 02

Data Analytics & Insights

Financial institutions generate and take in a staggering amount of data every day. This data deluge comes from a wide variety of online and offline sources. Depending on the source, any given data might be stored in the cloud (or likely one of multiple cloud solutions) or on-premise.

Once you understand where your data is coming from and where it's stored, you can begin to consolidate these assets to create a single source of truth. The right data management solution can regularly update this single source of truth with live connections to data streams. This process is a vast improvement over pasting instantly out-of-date data to a static spreadsheet.

Increasing Speed of Analytics to Insight

With a consolidated view of data, you can put advanced analytics to work to generate insights that guide the business. For example:

- Comparing daily balance sheets
- Calculating and monitoring net interest margin (NIM)
- Projections and scenario planning
- Performance management





Melissa Johnston
Chief Credit Officer and
Cofounder, EntreBank



Key Performance Indicators to Measure

Banks often overlook the opportunity to obtain valuable data from industry intelligence firms. Relevant data and industry analytics can be extremely helpful to a bank, especially one that works with the small business community. This data can assist a bank in understanding a business, connecting with its clients, and delivering value by asking good questions. It also informs banks how a particular prospect or client's competitors are performing and what the present conditions and risks are.

Here's a list of Key Performance indicators we're tracking:

1. **Budget Tracking**
2. **Loan Growth**
By Loan Type
3. **Deposit Growth**
By Type (checking, savings)
4. **Loan Fee Income**
By Type
5. **Net Interest Margin**
6. **Net Income**
7. **Return on Assets**
8. **Return on Equity**
9. **Credit Quality**
10. **Loan Delinquencies**
11. **Classified Loans to Capital**
12. **Efficiency Ratio**





JP Nicols
Co-Founder,
Alloy Labs Alliance



Broaden the Scope of Data

For financial institutions, it's not just how customers and members are using their own products, it's what they are doing with other companies, too. Not just obvious competitors like financial platforms, but where is money flowing out? Where is it flowing in from? When, where, how, and why is money moving around? What kind things do they value? What jobs are they trying to get done? What gains are they trying to achieve? What pains are they trying to avoid?

FIs tend to overlook this because it takes a little more work to turn this kind of unstructured data into actionable insights, but it's worth it.



Dr. Ken Cyree
Dean, Frank R. Day/
Mississippi Bankers
Assoc. Chair of Banking,
and Professor of Finance



Use Analytics to Become a Better Community Partner

Most banks use analytics to determine customer needs and to cross-sell bank products. This is a valuable tool and is useful. However, I think the innovative banks are the ones who use analytics to engage with their customers in a more personal way, that has less to do with banking, and more to do with being a community partner.

Banks could use their engagement with customers in a more efficient way by using the analytics to tell the bank what their customer values and is interested in that is not necessarily banking, and this helps customers develop loyalty to the bank.



Jeff Marsico
President,
The Kafafian Group, Inc.



Use Data to Determine Strategy

Are your incentives aligned with your strategy?

Most banks have been in existence for decades if not a century. They have customers but have little data on who they are; by industry (for businesses), by demographic cohort (for retail), by customer profitability and profit potential. Compare to external data to determine if those businesses or demographic cohorts are in sufficient supply in your markets to build a strategy around determining what they demand, will demand, or should demand from their financial institution and go get 'em.





Mark Swanson
Performance Banking Coach,
Sales Executive, Deluxe



Smart Analytics Help Drive Performance

Analyzing loan yields by lender and branch is one way to help drive the bank's overall financial performance. Your bank's loan portfolio generates the single largest source of income. Having a centralized source of data that all lenders and branches can access daily is paramount to starting your journey towards higher performance. Do your lenders know their average loan yield? Do they know loan yield trends? Are they accountable (incented) for those yields? Does management regularly engage the lending team for accountability on yields?

Performance management tools like Banker's Dashboard can provide daily access to this data, for you and your team, in order to maximize your bank's earnings. Banker's Dashboard has a track record of their client banks averaging nearly 100 basis points higher Net Interest Margin than the competition. An investment of less than a basis point can yield big results for your bank!

Get Up to Speed:

SECTION 03

Automation

Consolidated data and automated analytics will get you on the road to transformation. But to accelerate down that road takes time and energy — two resources that can be in short supply. It's important to free your employees from repetitive, automatable tasks so they can focus on putting insights into action.

Processes to Automate:

- Budgeting
- Forecasting
- Reporting
- Performance management

Change management is an indispensable part of any automation initiative. Your employees will likely have concerns about being made obsolete. It's important to stress that automation can lead to more fulfilling and meaningful work as algorithms handle the low-value tasks.





Scott E. Hein
Emeritus Professor of
Finance, Rawls College
of Business, Texas Tech
University



Automation Can Help with Labor Shortage

For community banks, the top priorities for automation are stated best as; MORE!

In this “workerless recovery economy”, labor is in increasingly short supply. Community bankers need to make sure that they are using the basic banking technologies to lessen the need for workers to as great an extent as possible. These technologies for community banks today include mobile banking through apps, ability to do P2P for bank customers, opening accounts and accepting loan applications online. The opportunities to improve the provision of banking services through adopting new technologies are widely present today for community banks at reasonable costs.





JP Nicols
Senior Strategist,
Market Insights



Start Simple and Level Up with Machine Learning

Look to automate anything that involves more standard operations and routine activities that today requires humans to operate within a relatively narrow band of judgment. In my experience, banks don't actually need a ton of help figuring that out. The next step is using machine learning and artificial intelligence to take on more complex tasks that today require a broader range of human judgment. That takes a while to get right, but it's still about creating efficiency. The much harder question is, where should we invest to help us create and maintain a sustainable competitive advantage? Those answers should be a little different for everyone, and they're worth working through because being is necessary, but insufficient to create real value over the long run.



Sam Kilmer
Cofounder,
Alloy Labs



Choose a Pilot that Matters

A good pilot for automation is one that is strategically or culturally important categorically, but rolls out from the pilot incrementally. Let me give you two examples....

NOT AS GOOD PILOT: Find a low-risk unimportant area to pilot, try the automation, then expand the automation to important areas. Such as, “Since we’re a commercial/wealth focused bank, let’s not mess up commercial loans, treasury, or wealth. So, go pilot the automation in consumer certificates of deposit, then roll it out to commercial and wealth.” The problem with that approach is that the outcome is likely to fail (even if it tactically succeeds) as it will not capture the self-sustaining cultural attention needed. Because it’s a cultural distraction that the power base of the organization does not genuinely care or even think about.

MUCH BETTER PILOT: Find a high-exposure, strategically important area to pilot, but start with one product, location, team or function within that area. Such as, “Since we’re a commercial/wealth focused bank, let’s get the head of commercial and two well-respected troublemaker commercial lenders involved in piloting this automation just around one industry niche product or in one region, see what we learn, then have them champion expanding it to other industry verticals, niches, products, or regions.”





Jim Perry
Senior Strategist,
Market Insights



Be Bold in Embracing Automation

Customer expectations are evolving so rapidly, and the competitive environment is so intense, small-scale initiatives designed to test your capacity for automation can actually put you further behind. Automation is a key element of your digital transformation journey.

Banks should look for the processes that are tedious, time consuming and have the greatest impact on the customer experience. For many banks it will be check processing and payment reconciliation, for others it will be automating elements of the customer onboarding process. Any of these will help a bank operate more efficiently.



Barry Adcock
Financial Performance
Strategist, Sales Executive,
Deluxe



Get Off the (Spreadsheet) Grid with Automation

According to the worldwide auditing firm KPMG in its Feb 2022 report on Model Risk Management, “It is estimated that more than 90% of spreadsheets contain errors.” They go on to cite one example: “A missing minus sign in a formula resulted in a cancellation of a dividend for a well-known global fund.” KPMG makes a very compelling reason to leave spreadsheets behind. But where do you go from there?

Look for 3rd party solutions that integrate directly with your bank’s core systems and can automatically assemble reports in industry standard formats.

Moving away from spreadsheets toward 3rd parties who get data directly out of your bank’s core system will lead to greater confidence in the numbers, consistent presentation and calculation of the numbers and save considerable time for the executive management team.

Upgrade the Engine:

SECTION 04

Technology



“Although it’s much more than a budgeting tool, the #1 reason I recommend Banker’s Dashboard is for the budgeting and forecasting. The Dashboard has reduced my effort by about 75%, which means we can spend more time on strategy. This, in turn, has increased our forecasting accuracy.”

Ken Mattox

Senior Vice President/CFO, Cedar Stone Bank

Digital transformation isn’t all about the technology; it’s just as much about having the right people and processes to put the technology to good use. However, technology is the critical component that makes transformation possible.

Deluxe built Banker’s Dashboard to be the engine for an up-to-date, data-driven financial institution. It brings data transparency to the entire institution, featuring:

- Single tool for budgeting and forecasting, financial reporting, asset liability management and product pricing
- More accurate predictions, prepared more easily
- Performance management tools
- Accelerated forecasting
- Detailed tracking for managing NIM
- Customizable dashboards for unique views into performance metrics
- Community bank orientation that fits your needs without complexity

It's Time to Hit the Road

If your bank is still relying on manually-processed, out-of-date data, it's time to move from maps to GPS.

With a single source of truth for up-to-date data at a glance, your institution can make smarter decisions more quickly, adjust to changes with increased flexibility, and elevate employees with more meaningful work.

Ready to hit the road?

[Explore Banker's Dashboard](#)