Planning an Image Strategy

Making the Big Bet

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Developing a dynamic, multi-year check image exchange strategy is critical to success in a post Check 21 environment. The banking industry is experiencing dramatic changes unlike any it has seen since the development of Magnetic Ink Character Recognition (MICR) in the late 1950s. The way deposits and payments of checks are processed is fundamentally shifting forever. Check 21 legislation is a key driver in the shift from paper-based to digital image-based transactions. To satisfy customers, banks will be expected to process check transactions within minutes versus days as is the case today.

The challenge then becomes investing in best image exchange scenario for your bank, managing risk, and continually testing your strategic direction and timing based on market changes, customer adoption, and your competition.

An explicit image exchange strategy can help you improve your bank's efficiency ratio and operating leverage by better managing your transaction processing expenses and capital, as well as protecting revenue via commercial customer retention.

"Strategy" is defined here as an agreed upon dynamic plan to help you achieve a sustainable competitive advantage and desired business results. It outlines how you will serve your customers, optimize resources, and out-perform your competition.

There are four key tenets for creating and implementing a winning image exchange strategy: 1) build an action time-line, 2) assess your organization, 3) develop probable scenarios, and 4) flaw-lessly execute your strategy. This article will outline the key process steps for these four tenets.

Timing is Everything

Developing and executing a robust image exchange strategy involves two timelines. The first represents the work effort to develop your strategy, while the second defines your multi-generational (phased) strategy execution plan.

It is essential to schedule the timing of your strategy work effort just prior to, or at the start of, your fiscal year. Your execution plan will likely require budget, capital, people, and other resources. Therefore, it is optimum to align your image strategy development process and final deliverables with the timing of your organization's annual budget and corporate objective/goal setting processes.

A Team Will Get You There Faster

With time of the essence, form a cross-functional strategy core team to accelerate your efforts. Hand-pick your best and brightest talent who represent key areas of your business likely to be impacted by the new image exchange strategy, and include a representative from Human Resources, Finance, and Information Technology.

Hand-pick a dynamic senior leader to oversee the team, provide required resources, and keep the team focused on task. And, ensure the team remains connected to the senior leadership team whose role is to shape, execute, and support the strategy.

The team should begin by building a 60-90 day+ work plan. Primary tasks include describing the current state of your paper check processing and remittance environment, envisioning multiple "desired future state" scenarios, and beginning to assess critical gaps based on a high-level organization assessment.

The team should also surface key assumptions about your business and technology operating models. They should conduct preliminary market research and gather your organization's
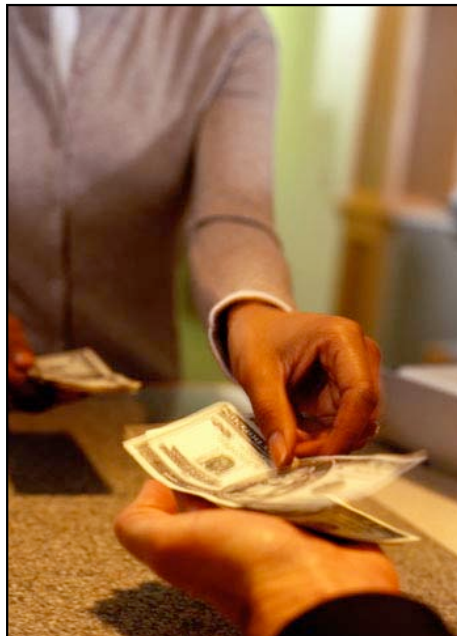
check and remittance volume forecasts, and voice-of-the-customer (VOC) data (e.g., commercial customers want reduced cost, faster fund availability, and more access points to make payments and deposits).

Lastly, the team must frame the key issues for implementing image exchange in your bank, clarify your organization's readiness for change, and develop prioritized recommendations with pro-forma financials for senior management's review.

Image Exchange Becomes a Reality

The second phase of the team's work will likely take three to five months as the team develops your image exchange strategy and a detailed multi-generational execution plan. This too should be defined in a detailed project work plan. The focus of their work should be to identify the critical process, technology, and people initiatives required to execute your strategy over the next three to five years. In addition, the team should define the build-out and sun-setting of specific core processes and technology, as well as the necessary plans to hire/right-size, train, and reward people (e.g., a Human Capital Plan).

The team must also develop a second timeline outlining a proposed multi-generational strategy execution plan. For example, Phase I might include beginning to transition from paper-based processing to image-based processing. Phase II might include mixed item processing (paper and image), and Phase III might include optimized capture. And, each phase will involve the managed take out of obsolete equipment, systems and facilities, and the reduction and redeployment of associates.

Image exchange is gaining attraction as IRDs are beginning to show up in monthly account statement.

So What are You Great At?

The second key tenet is to assess your organization. You will assess your organization's core capabilities and core competencies, and assess the big-picture view of defined opportunities you might decide to pursue and the threats, impediments, or gaps standing in your way.

A core capability is a unique talent/ability which enables your organization to be #1 or #2 in your industry, you can prove it, and those talent/abilities that cannot be easily replicated or purchased. Organizations typically have two or three core capabilities (e.g., we have the most optimal check clearing network in the industry).

Core competencies are the skills or enablers which give your organization its capability. These skills-enablers must be protected and/or built out over time to gain and sustain a competitive advantage. An organization may have a dozen competencies (e.g., your transportation network, exception sorting, preparing cash letters).

The opportunities and threats assessment can be carried out using a variety of tools including SWOT analysis (Strengths/ Weaknesses, Opportunities/ Threats), scenario building, and competitor benchmarking. The goal of these tools is the same, to determine as specifically as possible the threats to your organization's image exchange strategy and how you can close any serious gaps, as well as how to capitalize on your organization's strengths and market opportunities. In other words, what makes your organization unique from your customer's and investors' point of view.

In the process of assessing your organization, you will want to ensure alignment of your strategy with your organization structure and culture, as well as with your management systems, work-flow processes, people capabilities, and business controls/metrics.

Planning for What-Ifs

After assessing your organization and its potential opportunities you are now prepared for the third key tenet – developing probable scenarios and outcomes. Competitive advantage is only temporary! Markets, customers, and competitors change and can be fickle. Today's advantage may be tomorrow's weakness.

Market disruptions occur. These are major events, impediments, or challenges that may occur in your internal or external environment which must be addressed because they can impact and invalidate your core competencies and negate your sustainable competitive advantage (e.g., Information Security, Corporate ARC, rapid decline of check writing). By planning for these disruptions and developing contingencies, you will be far better prepared to quickly react to changing conditions and competitive threats.

Scenario planning is used to address these uncertainties. It is a process for identifying the best imperfect answer to a multitude of critical variables and making informed choices recognizing the potential benefits and consequences. Variables may include market share, write-off expense, employee morale, operational risk, customer satisfaction, and industry leadership.

The better your market research and knowledge about your customers' current and potential future needs and what competitors are doing, the more likely you can successfully define probable future scenarios and prepare action plans to address them.

With the most probable three or so scenarios in hand, it is possible to clarify the benefits, costs, and risks of each course of action.
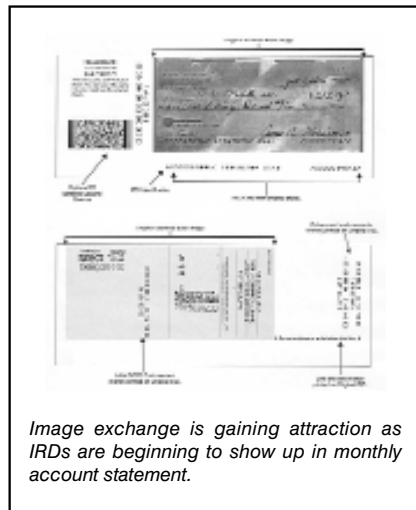
In turn, after a healthy debate, one scenario must ultimately be agreed upon and selected by the senior leadership team as their stake in the ground. Annual objectives, goals, key metrics, initiatives, budgets, capital, and people resources can then be decked against the agreed upon strategy and execution plan to make it real and ensure accountability.

Deliver, Deliver, Deliver!

The forth key tenet is to flawlessly execute your image exchange strategy. Successful organizations recognize that strategy is process, not an event. They effectively manage competing internal priorities, and changing goals, metrics, timing/sequencing, and resource utilization.

They are vigilant with their annual corporate objective/goal setting process and use built-in controls and governance to ensure the objectives, goals, strategies, and metrics are aligned across their organization.

A key to flawless execution is to realize that change is often not initially welcomed by those it touches. Therefore, early in your strategy process, identify key sponsors (executive champions), change agents, and targets (of the change), and develop a change and transition management plan to engage your people. You must skillfully assess the temperature of each group, as well as develop a game plan to gain critical buy-in and address and manage likely resistance in a win/win fashion. To do this, you must clearly articulate the "why" of the change, explain what could happen if no change occurs, answer questions about "what" the desired future state will look and feel like, and sell the benefits of the new strategy (what's in it for me).

And, you must establish meaningful metrics before, during, and after the change to measure the effectiveness of the change and determine if the desired benefits and return-on-investment were achieved.

Most importantly, you must recognize it is people, not process or technology, that ensures your winning image exchange strategy gets executed and sustained. To this end, provide training to your associates to build and strengthen their skills, and reward and reinforce the new behaviors required to support your strategy. And, ensure you have the right key talent in the right roles at the right time who are capable of successfully executing and leading the new strategy.

Making the big bet on image exchange. Yes, it is tough but doable. A well defined business strategy drives focus. A flexible plan anticipates the future and harnesses the talents and ideas of your associates. How compelling and executable is your image exchange strategy?

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