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The Alliance Newsletter

October 2007

Volume 48 ▼ Number 45

The President's Corner



Life is too Short

I want to caution you about the following thoughts. They are a little melancholy at best. We at Vitex are in a saddened state. We recently lost a beloved, valued, and respected employee to a long fought bout with a catastrophic disease. We are all trying to cope. We can only imagine what all he went through and what his family is still going through. You are missed Tom.

One thing is clear. Life is fragile and life is too short. As I become older (and hopefully wiser) it is amazing to me how this type of news quickly puts things in perspective. It shows us what is really important, and equally obvious what really isn't all that important. Learning and knowing where and when to spend mental energy often seems elusive. I would ask that you keep our associate's family in your prayers. I would also ask that you take a moment and attend to what is important and forget all about what is not...

*Kenneth G. Sebastian
President*

Do You Have Business Continuity Confusion?

As with most banking endeavors where there is both a regulatory need as well as a very practical need, Business Continuity Planning can seem like an overwhelming task, especially when the lobby is full, your phone is ringing, and you've got fifty e-mails to catch up. In truth, it is a "task" but one that can be addressed by its components and completed step-by-step.

A quality Business Continuity Planning effort has four major components:

1. Thought and decisions about the "who, when, why, where, and what" actions to be taken in emergency situations.
2. Organization of a document that will clearly spell out your planning and be available when needed.
3. Frequent review and updates as things change in your organization.
4. Periodic training on the plan along with some testing of procedures.



that pays off.

The components above are really a continuous loop, but one that is relatively easy to maintain once the Plan is in place. It is often the initiation of the document itself, more than the planning effort, which causes headaches. Like most such jobs, the solution is to break it down into logical components. There's no "universal" style or format, it's really the *organization* of the Plan

As guidance for thought, here are some major areas of a quality Business Continuity Plan and their underlying content:

- Emergency Management

Of supreme importance is how management will continue during and following an emergency. Corporate bylaws address management succession, but usually not from a "planning for the worst" viewpoint. Who is in charge (and it may involve a fairly complex staff structure) must be addressed along with specific areas and authority. Additional parts of this section should also cover how an emergency is declared, Plan distribution, and critical communications.

- Business Impact Analysis and Risk Assessment

This section should be an in-depth analysis of the most likely perils to befall the organization along with estimates of their effects. These perils may differ by geographic region as well as the scope of operations. A key component is isolation of what is mission-critical, what can happen, and what is realistic in terms of recovery and backup.

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- Emergency Procedures

For each identified specific or general peril, organization-specific procedures should be developed to guide activities prior to, during, and following an emergency. Often, this section is the main focus of training and testing because it is where "the rubber meets the road" for emergency action.

- Business Resumption

A key assumption is that, in many cases, it will be impossible to resume "normal" operations instantly. Thus, priorities based on both customer needs and organizational access to resources should be established to guide recovery. Resumption plans focus efforts, directing actions and providing critical information the staff will need in order to rebuild.

The aim of all of the above is no longer just "Disaster Recovery" in the sense of having sets of instructions about backup data storage or how to clear items. Business Continuity Planning addresses strategy and tactics for the entire organization, not just IT or Operations. This "expansion" can cause confusion. Confusion can be avoided by going into basics and applying them toward the end game.

In summary, a well developed and implemented Plan is very specific to the organization and its perils. It provides for leadership, sorts out activities by emergency, contains aids to business resumption, provides for staff training, and gets periodic tests for accuracy. Finally, the Plan must work when everything else does not! The driver for having a good Plan shouldn't be fulfilling a regulatory requirement, but rather a burning desire to be "back in the game" as soon as possible when disaster strikes.



By F. Gordon Hubbell, Vitex Senior Consultant

Executive Information System

SUMMARY

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An EIS system puts valuable information at the desktops of key decision makers and executives. Often, these standard management reports are referred to as “dashboards”. They are usually customized for key executives based on their particular needs or area of responsibility. Critical trends can be tracked and decisions can be made based upon validated information. An EIS system turns data into valuable information that outlines real trends and directions allowing executives to make quality, sound decisions.



HOW AN EIS SYSTEM WORKS

Traditional accounting systems are historical in nature and highly dependent on general ledger information. They report the information based upon what has happened in the past. Most standard systems do not have the breadth or depth to properly analyze and report meaningful results beyond general ledger data. A good EIS system has sophisticated tools that allow the meaningful analysis of the data at the application level such as loans, deposits, branches, etc. A good EIS system also allows executives to view reported information in a variety of layouts and formats including charts and graphs.

THE TOOLS USED WITHIN AN EIS

A good EIS system incorporates multiple tools to analyze the data in a variety of ways.

- *Process Analysis:* Process analysis tools assist in identifying problems with existing processes and procedures. Process analysis tools highlight areas of poor performance and assist in identifying the causes of problems.
- *Aggregation Analysis:* Aggregation analysis tools examine hierarchical or multi-dimensional aggregations of data. This is useful for summarizing information at different levels of detail for reporting budget and/or sales data. Items of interest can usually be broken down into more detail. This is referred to as a “drill down” capability.
- *Data Mining Tools:* Data mining tools search for “interesting” patterns in data that may reveal useful facts that would be hard to discover any other way. Some data mining tools automatically search data while others guide the user through manual searches.
- *Query Tools:* Most EIS systems have a user-friendly interface to allow executives or other qualified personnel to create ad-hoc reports in a variety of formats. These interfaces allow the executive to look at the resulting information, as he or she would like to see it. Most systems also have a wide-range of standard reports that can be added to and/or customized via the Query Tool.

Most core systems today offer sophisticated report writing tools capable of all these requirements. Unfortunately, many vendors do not provide out-of-the-box management reports that utilize these tools. But we are seeing a trend toward delivering canned reports as a template for the bank to customize. We recommend contacting your core vendor to identify what system capability is available. You are also welcome to contact a Vitex consultant and we can give you the latest information on vendor capabilities.

EIS REPORTING EXAMPLES

Below are some examples of the types of reports that can be generated with an EIS system. Keep in mind that a good EIS system will be able to dissect and report the data in a wide-array of ways.

- Profitability of loan programs
- Profitability of card services (credit cards, debit cards, ATM cards)
- Profitability of corporate services (cash management, ACH origination, etc.)
- Profitability of other fee income
- Impact of targeted marketing efforts in relation to selling of products and services
- Efficiency of teller functions
- Efficiency and profitability of electronic banking functions (i.e. VRU, ATM, Internet banking, etc.)
- Profitability of specific loan officers and customer service representatives
- Profitability of each branch and groups of branches



By Brian J. Fox, Vitex Senior Consultant

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