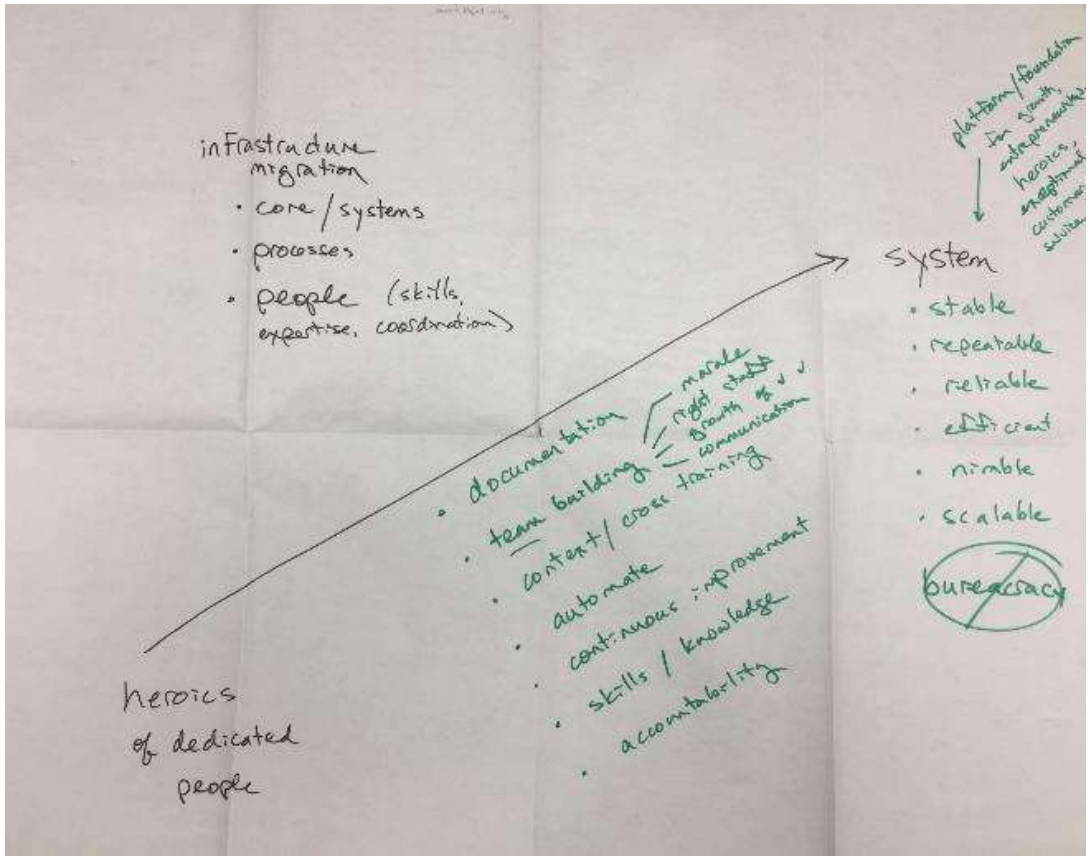
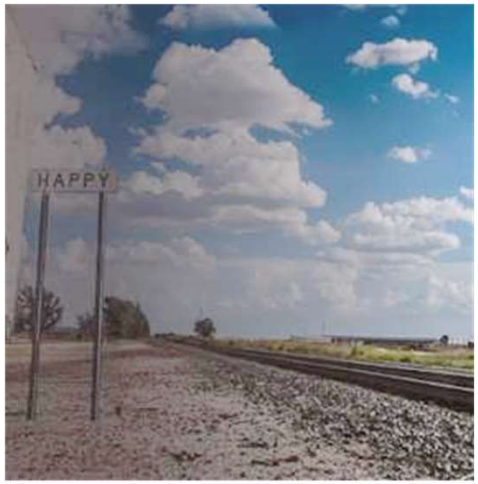
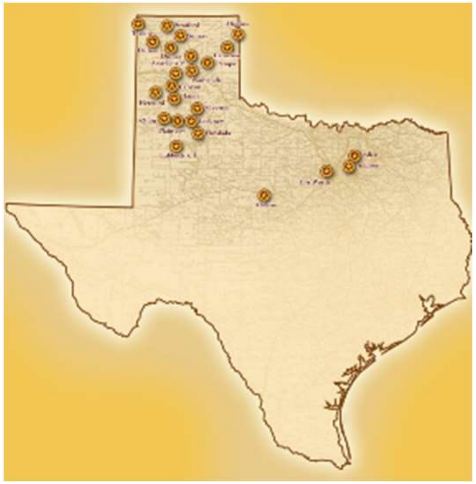
Infrastructure Development: How to Grow the Support Functions in Your Bank

Eric R. Alexander
Six Arrows Consulting





Happy State Bank
$2B → $6B
2013 - 2022



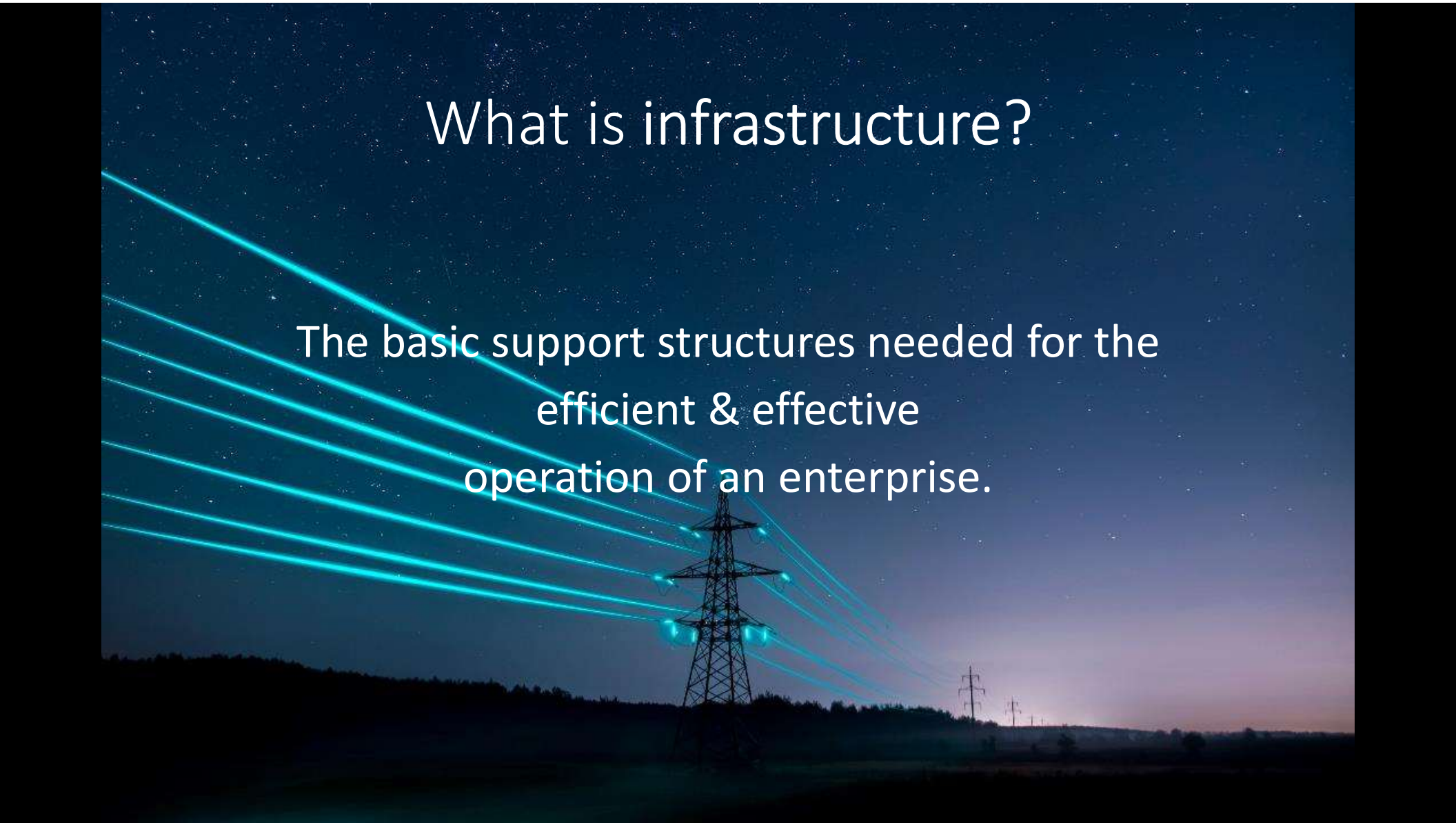
LOTS of infrastructure development
in the Finance Department

Outline

- What is infrastructure?
- What is infrastructure development?
- Why bother?
- Infrastructure development:
  - The objective
  - Key elements
  - Three stages:
    - Assessing a function
    - Upgrading a function
    - Creating a new function

What is infrastructure?

The basic support structures needed for the
efficient & effective
operation of an enterprise.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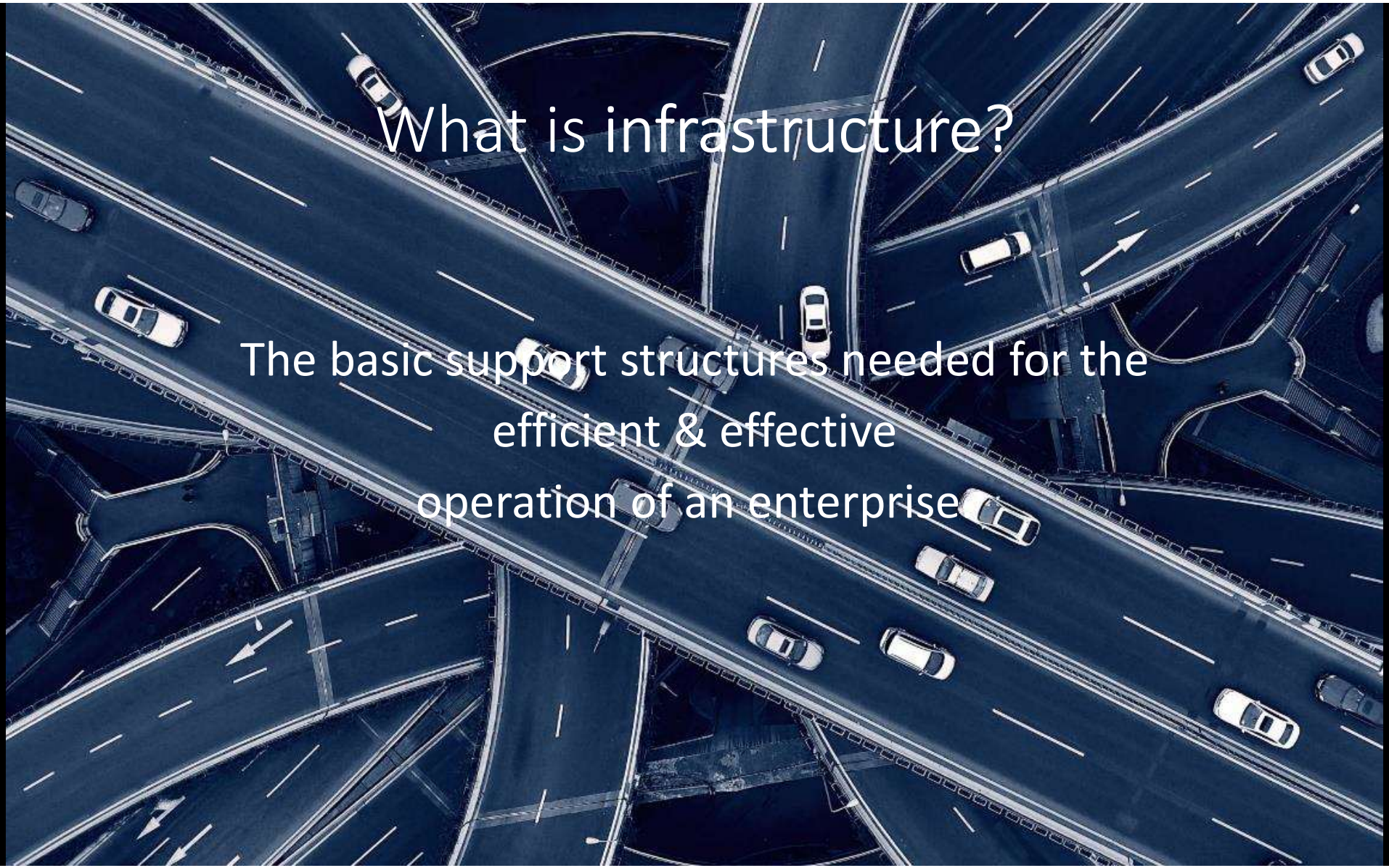
What is infrastructure?
The basic support structures needed for the
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What is infrastructure…in your bank?

- Deposit operations
- Facilities
- Finance
- HR
- IT
- Loan operations
- Training

…and beyond

And we often don’t pay much attention to it…

…till it looks like this.

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Infrastructure Development

As your bank grows – in size or in complexity – the infrastructure needs to grow as well…and needs to grow *ahead of the growth of the bank.*

An analogy

Infrastructure Development

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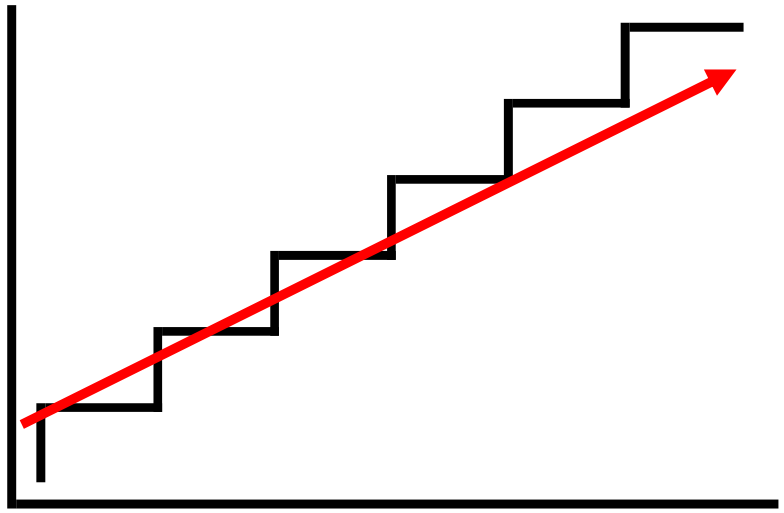
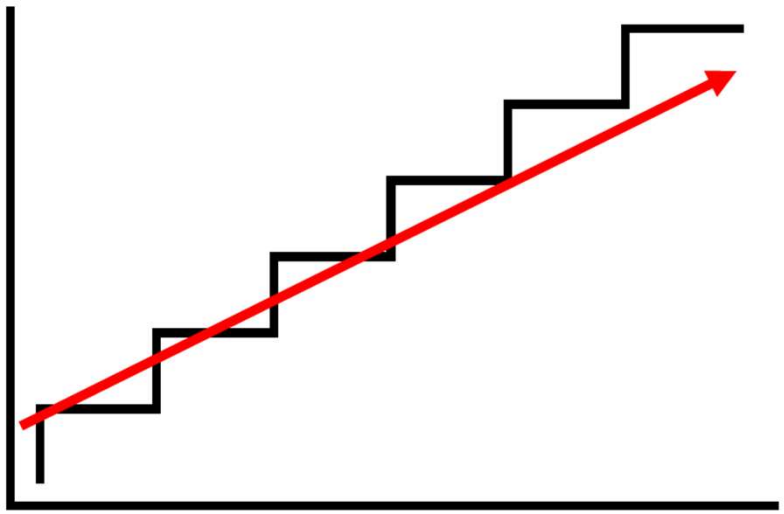


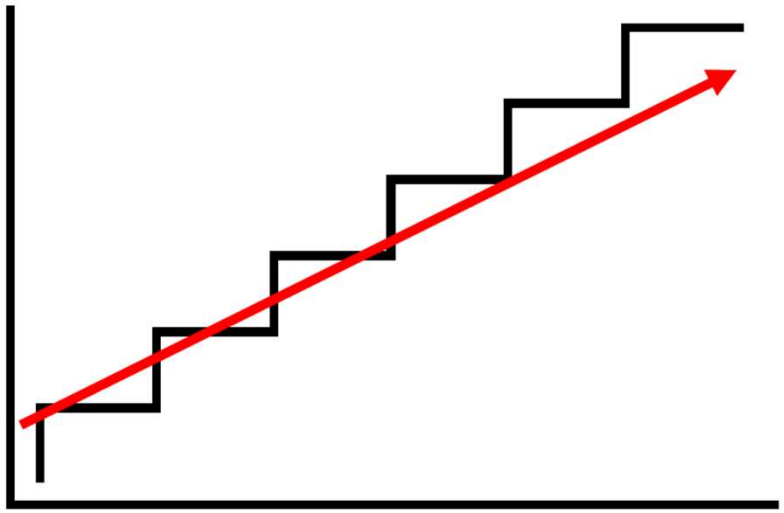
Infrastructure development



- Making existing resources stronger, more effective & efficient
- Adding capabilities & capacity
- De-risking

Keeping up with (ahead of) growth & complexity

A Finance Dept. example…



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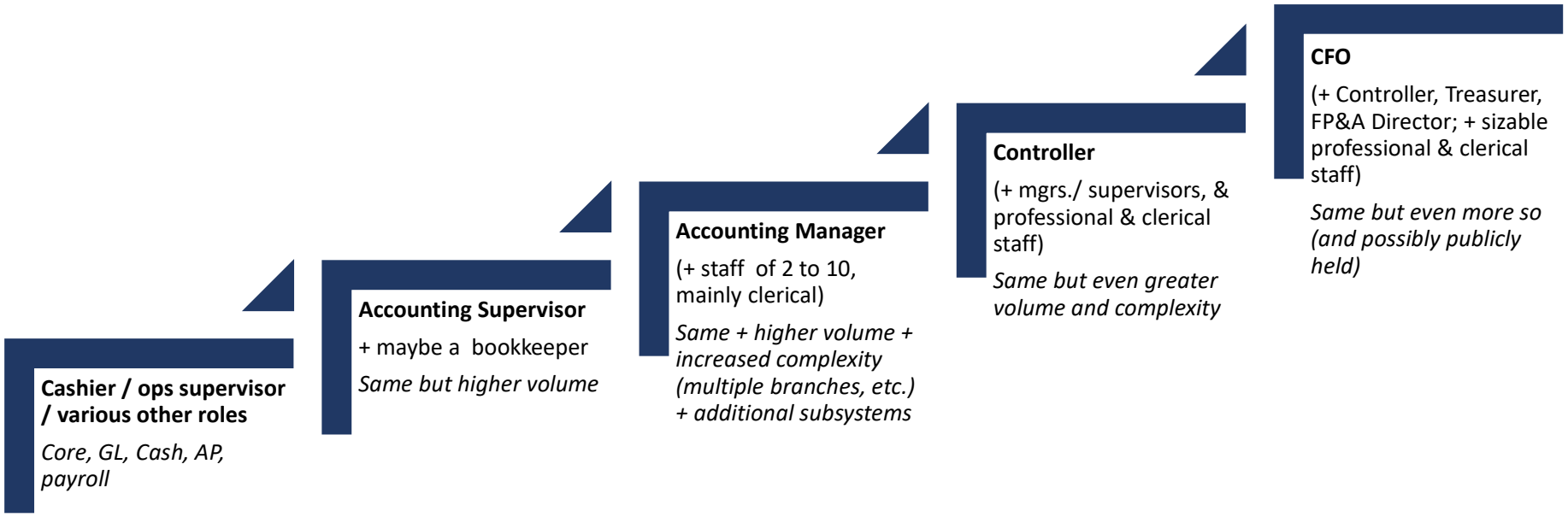
Keeping up with (ahead of) growth & complexity

Adding capacity in the Finance Dept.



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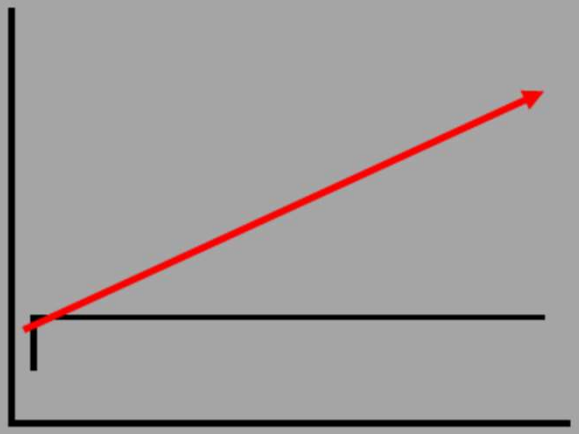
The Alternative:

Relying on the heroics of dedicated people.

Relying on the heroics of dedicated people



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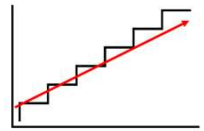
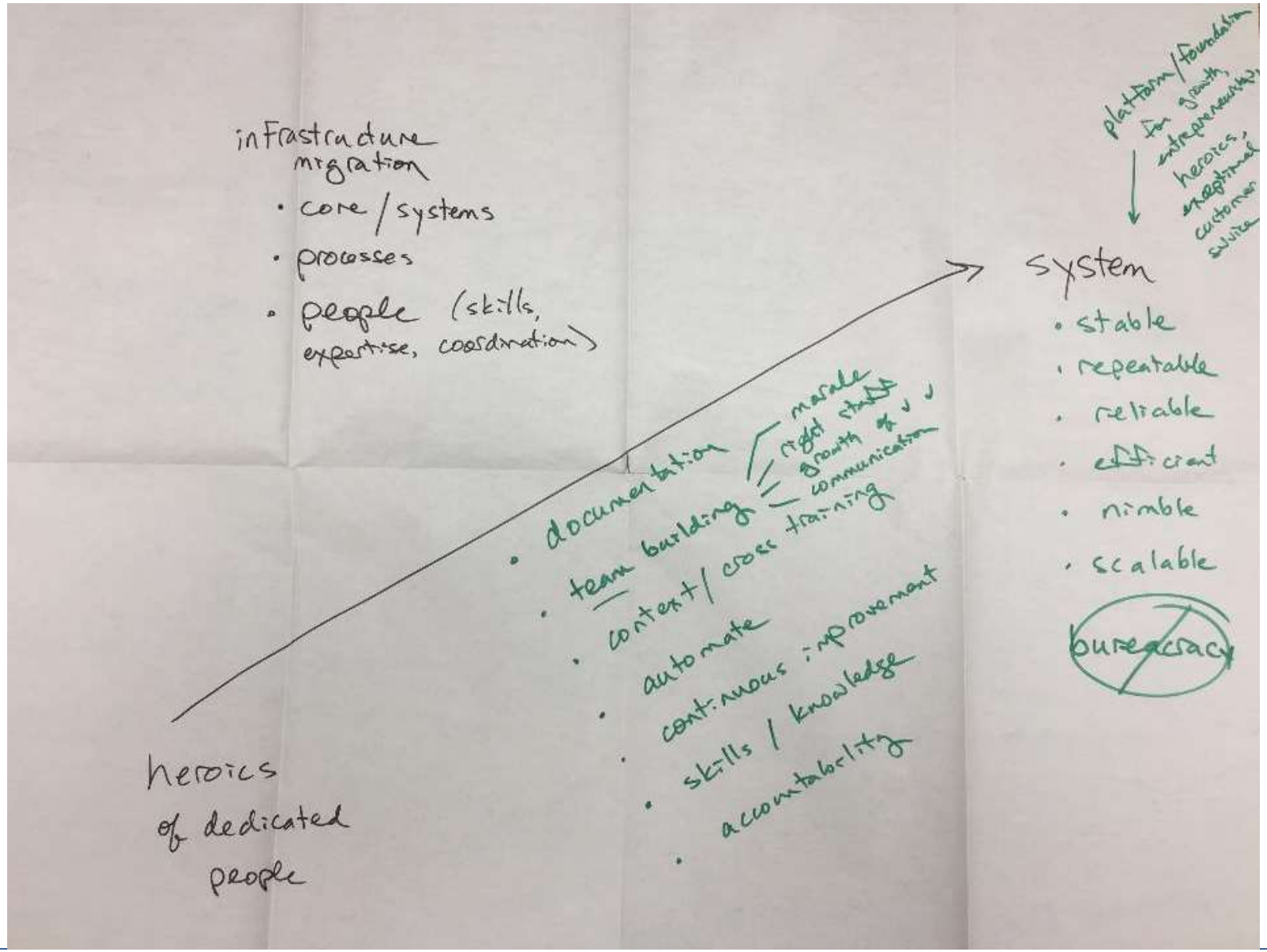
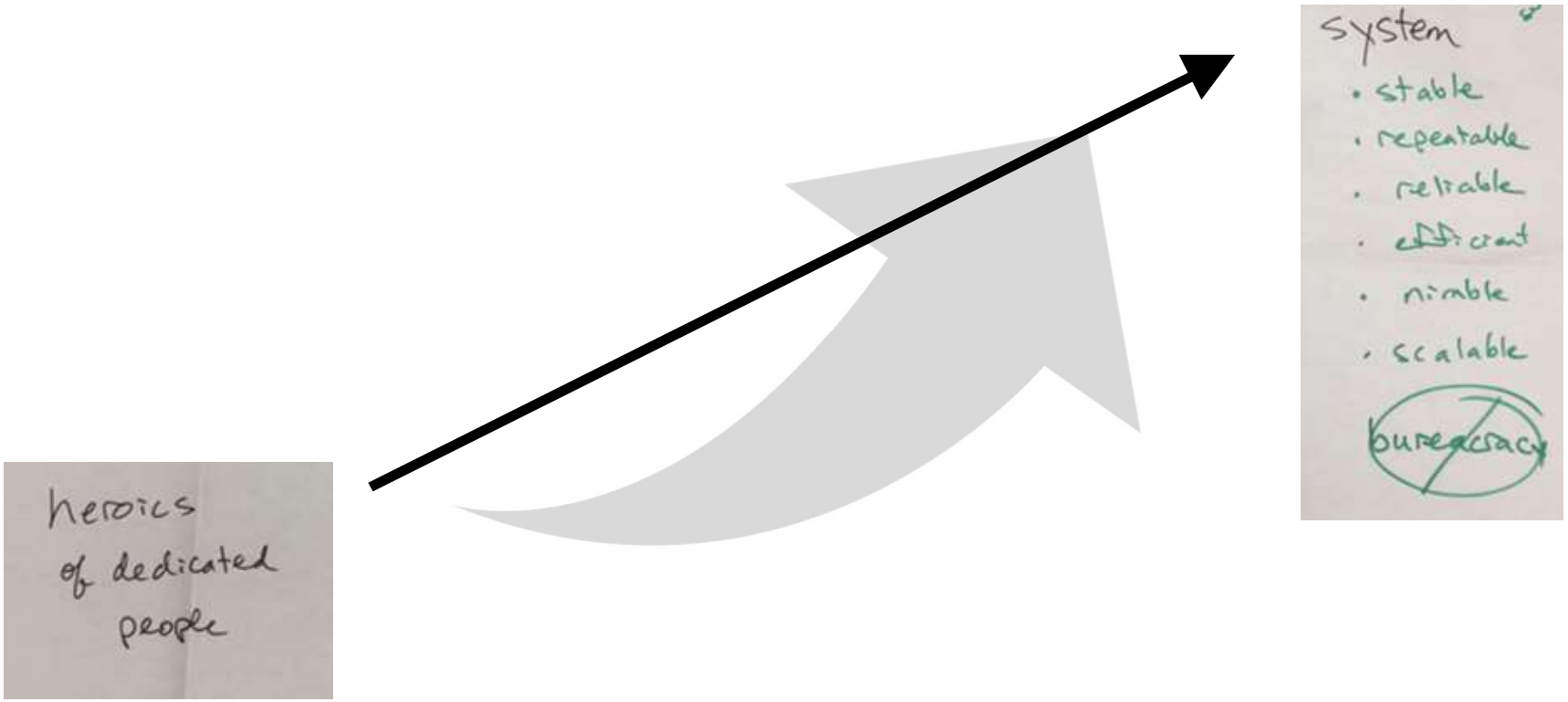
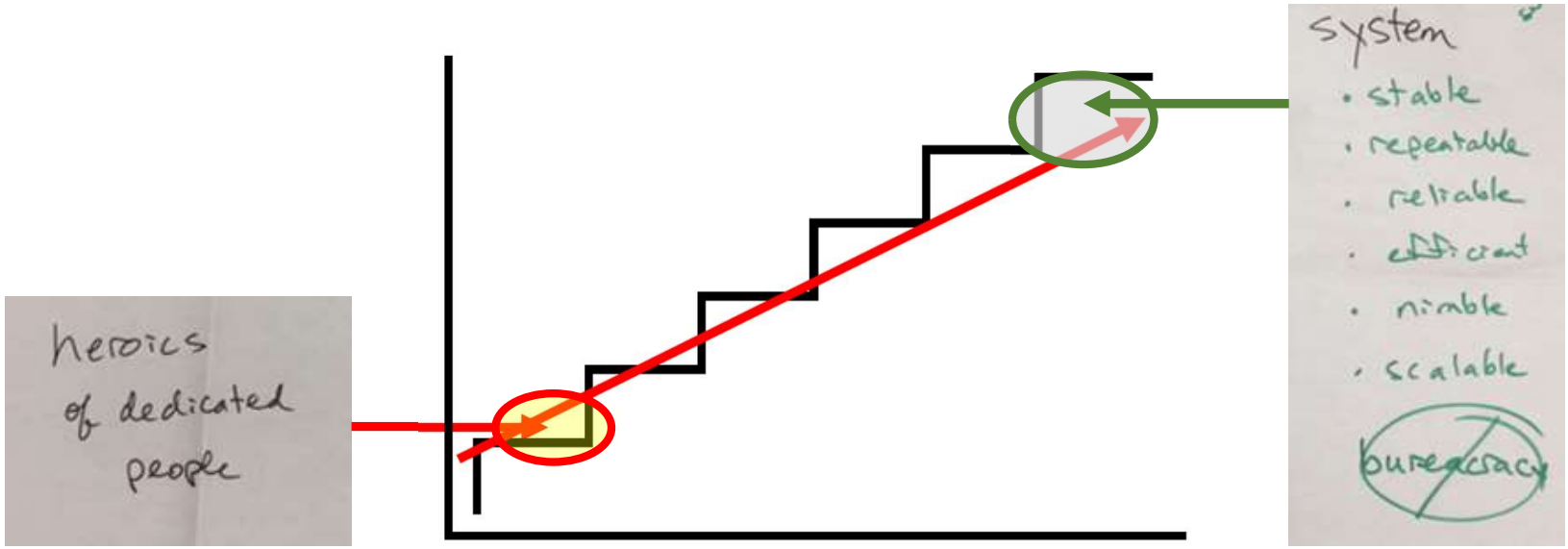



infrastructure migration
• core / systems
• processes
• people (skills, expertise, coordination)
heroics of dedicated people
• documentation
• team building
• context / cross training
• automate
• continuous improvement
• skills / knowledge
• accountability
morale
right staff
growth
communication
platform / foundation for growth, entrepreneurship, heroics, optimized customer value
system
• stable
• repeatable
• reliable
• efficient
• nimble
• scalable
bureaucracy

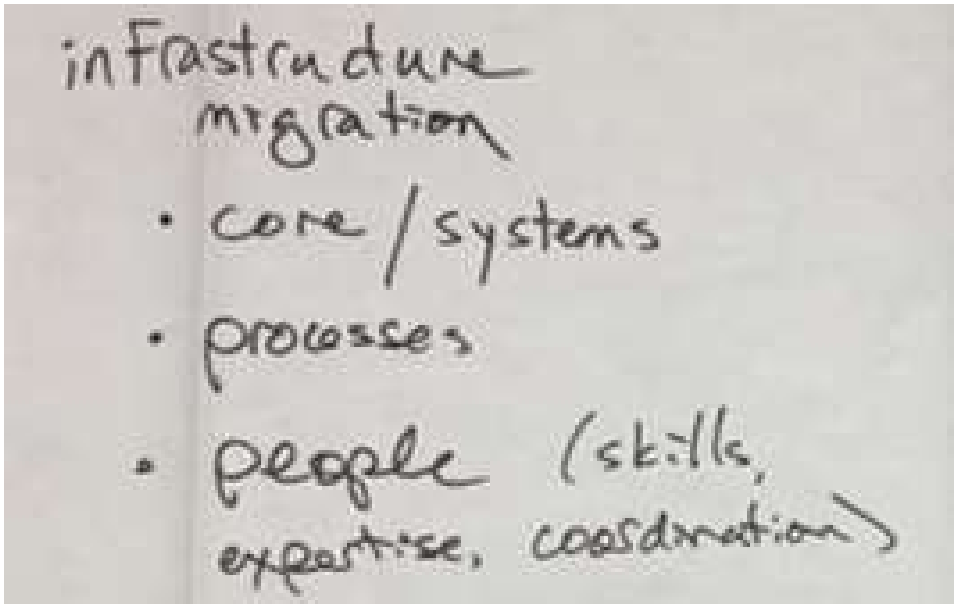
Infrastructure development: the objective



Infrastructure development: the objective



Infrastructure development: key elements

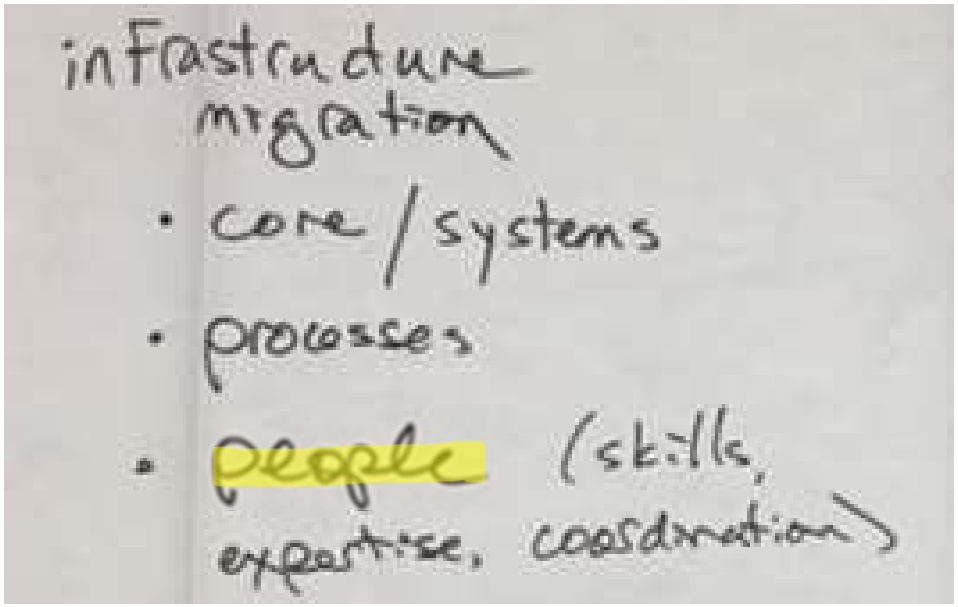


PLATFORMS

PROCESSES

PEOPLE

Infrastructure development: PEOPLE



…and **don't overlook the 3rd parties** serving you. They need the scale & capabilities to serve you well at the next level, too.

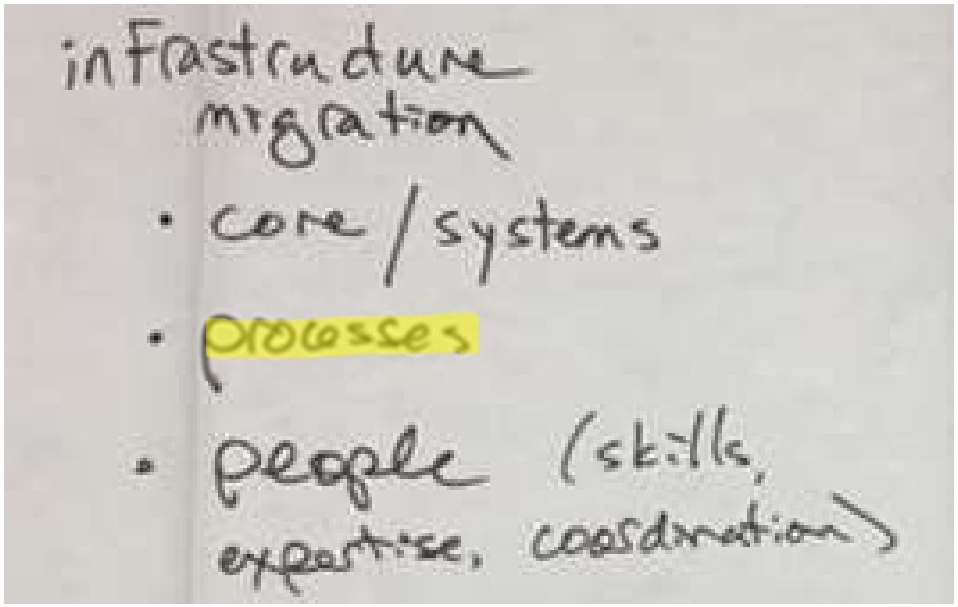
- Skills
- Expertise
- Coordination/teamwork

Need these…

- *Intentional staff development*
- *Careful staff recruitment*
- *Continual backup training*
- *Intentional cultivation of teamwork*

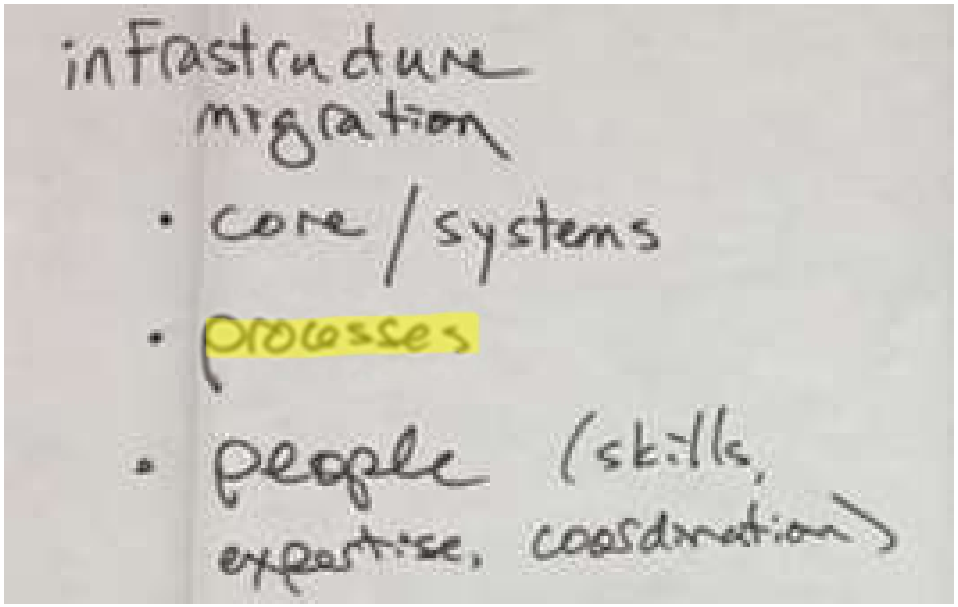
Do this…

Infrastructure development: PROCESSES, pt 1



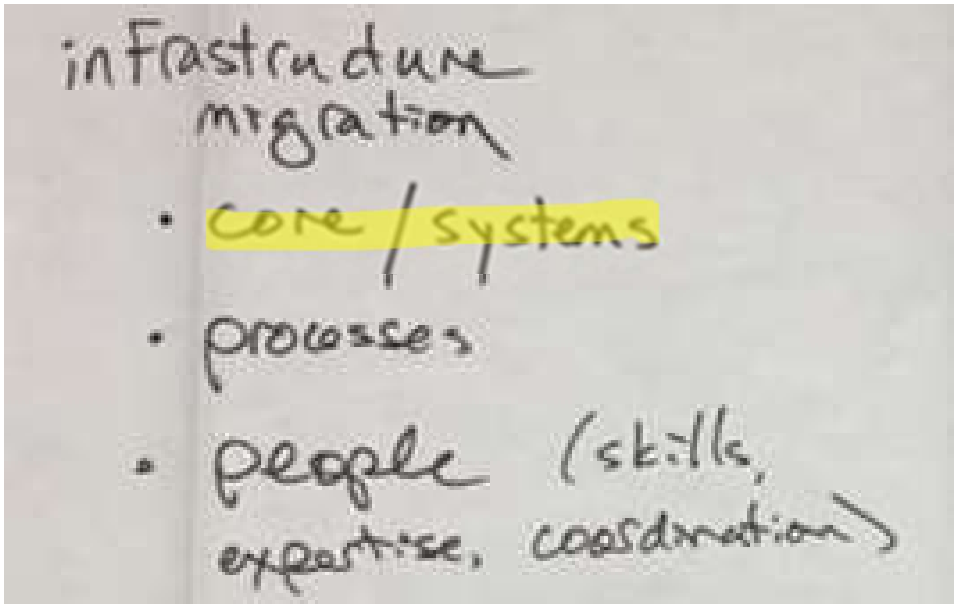
- "Defined & repeatable"
- Keep it simple
- Use common sense
- Streamlined, low-bureaucracy
- Context: upstream & downstream

Infrastructure development: PROCESSES, pt 2



- Backups!
- Checklists
- Materiality
- Process assessments
- Continuous improvement
- T accounts

Infrastructure development: PLATFORMS



- Technology
- Systems
- Integration
- Core
- Ancillary systems
- Input/output interfaces

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Assessing a function

- Understand & document the flow
- Identify risks
- Always consider efficiency and effectiveness
- Always consider internal controls

[FUNCTION]								
							Comments:	
Assessment (1 to 6; 6 is strong)	[Sub-process]	[Sub-process]	[Sub-process]	[Sub-process]	Composite	Risks (H, M, L)	Opportunities	Other
Technology								
Processes								
Procedures								
Key spreadsheets								
Recons								
Technical knowledge:								
Lead								
[for each sub-process: who?]								
Primary backup								
[for each sub-process: who?]								
Secondary backup								
[for each sub-process: who?]								
Others								
[for each sub-process: who?]								
Controls								
Efficiency								
Documentation								
Processes								
Procedures								
Key spreadsheets								
Recons								
[what else?]								
Overall sub-process risk (H,M,L)								

Assessment (1 to 6; 6 is strong)	[Sub-process]	[Sub-process]	[Sub-process]
Technology			
Processes			
Procedures			
Key spreadsheets			
Recons			

Clear?
Efficient?
Smooth handoffs (upstream and downstream)?

Secondary backup					
[for each sub-process: who?]					
Others					
[for each sub-process: who?]					
Controls					
Efficiency					

process narrative accurate, up-to-date?
process control descriptions precise, concise? (especially key FDICIA controls)
Other controls: identified? present? functioning?
Opportunities to automate manual controls?
Opportunities to identify preventive controls to replace detective?

Efficiency			
Documentation			
Processes			
Procedures			
Key spreadsheets			

Up-to-date?
Thorough?
Clear? (incl logic, data sources, purpose…)
Hyper over-explained?
Accessible?

	Comments:								
Risks (H, M, L)	**Opportunities**	Other		STEPS:	Assess, Discuss, Prioritize, Take Action, Repeat				
				FOLLOW UP (Take Action):					
				Focus areas:					
				Tier 1:					
				Tier 2:					
				Timing:					

system improvements or replacement
process streamlining
efficiency opportunities
effectiveness opportunities
"stop doing stupid stuff"

Upgrading a support function, pt 1

Assess first. Then…

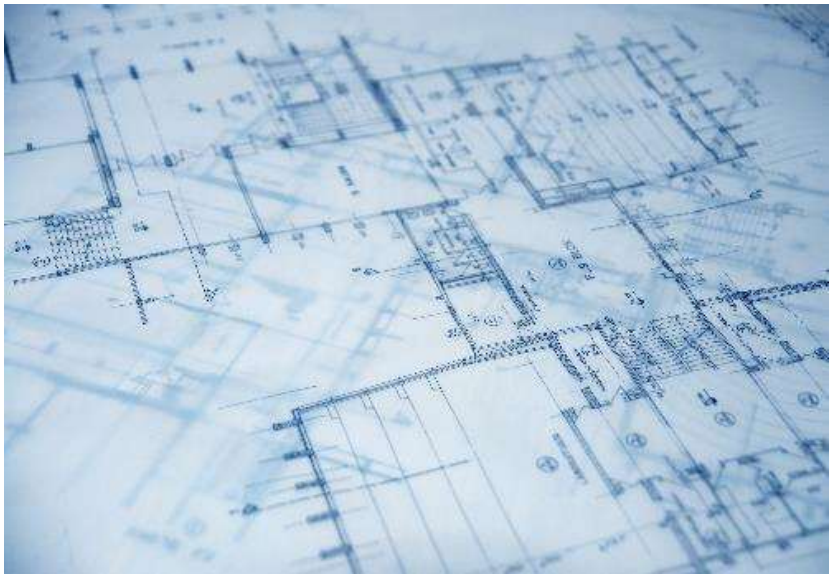
- People: train, cross train, bolster collaboration, context awareness
- Process: document, document, document; question each step; add accountability

Upgrading a support function, pt 2

- Platform: consider upgrading; look for automation opportunities
- Pay attention to the challenges of change management…especially at it relates to all the people affected

Creating a new support function

- People, processes, platforms: evaluate all key elements
- Gradual, incremental (if possible)
- Learn from others
- Be realistic about your needs
- Don’t build silos

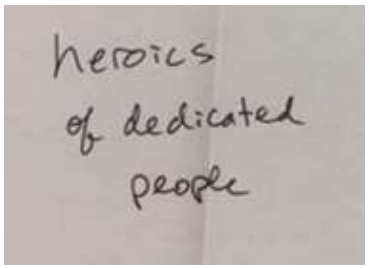


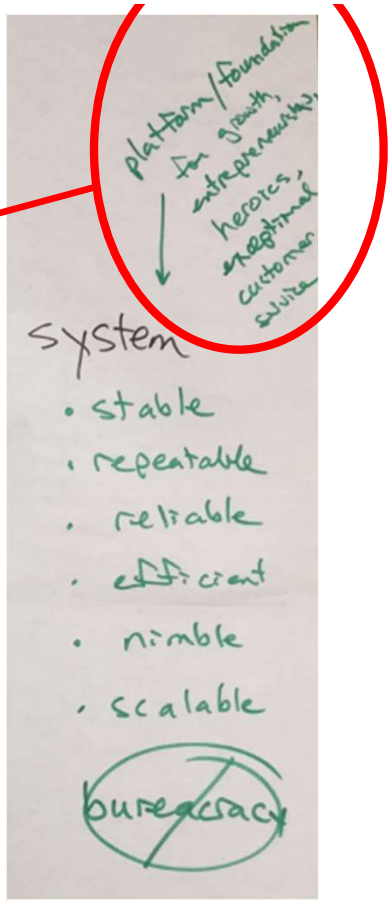
Recap: key themes

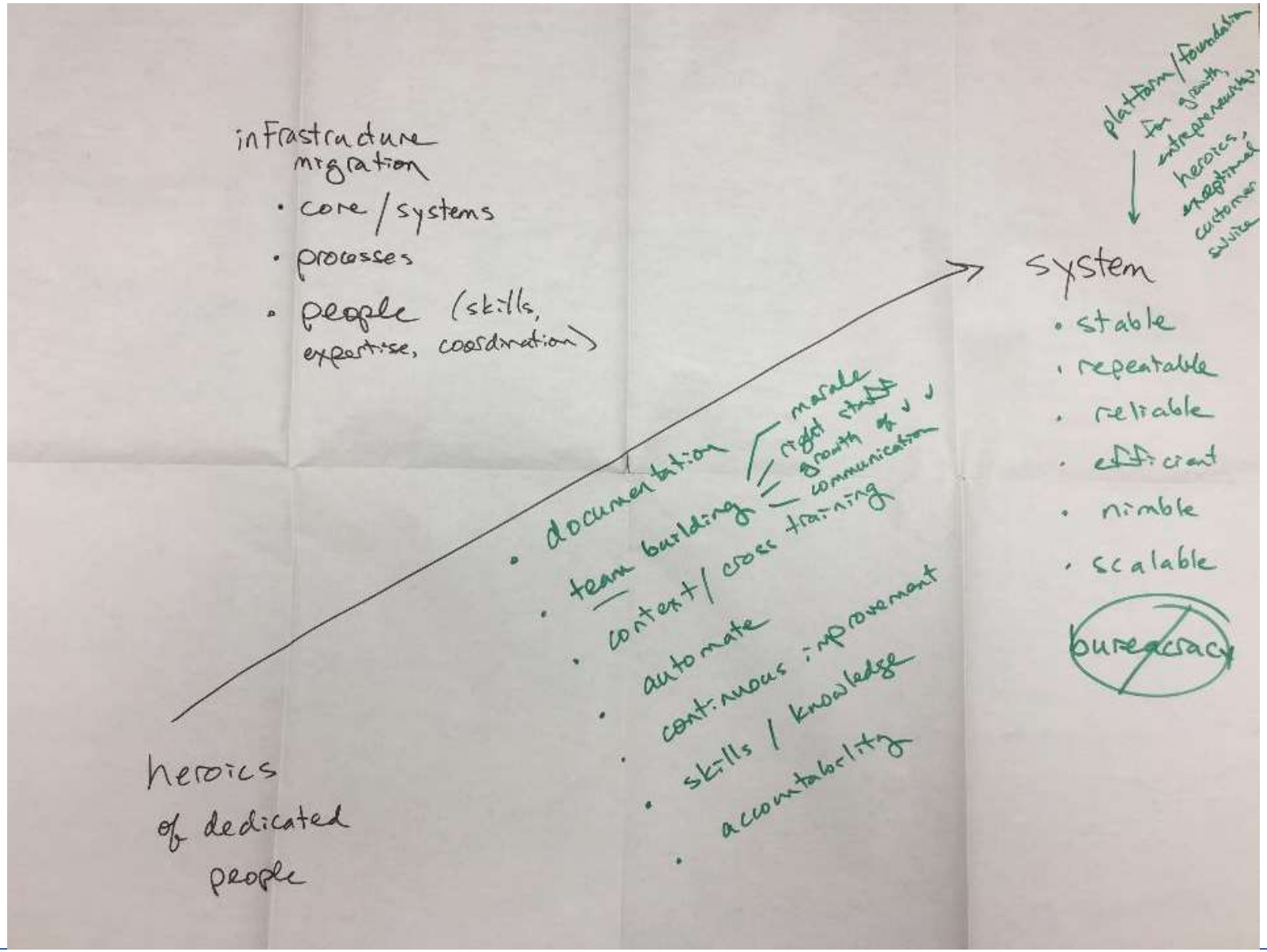
- Always stay ahead of the growth and complexity curve
- People, processes, platforms
- Document, document, document
- Context, context, context
- Risk, risk, risk
- Materiality
- *The cumulative power of (often minor) compounding improvements*

The Objective

"Platform/foundation for…
- growth
- entrepreneurship
- heroics of dedicated people
- exceptional customer service."



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THANK YOU!

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in the creation of this content.

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SixArrows consulting

Navigate Change with Confidence.

Coaching ~ Advisory Services

- 35+ years of financial management leadership
- 20 years of executive leadership experience
- Former CFO, Happy State Bank
- Extensive experience in coaching & developing leaders
- Active leadership involvement in numerous strategic transactions, including acquisitions, capital raising and major system conversions

- Coaching for leaders
- Advising on M&A and other strategic transactions
- Advising on the evolution of Finance's role and contribution

Eric Alexander, President of Six Arrows Consulting, brings coaching and advisory services to leadership teams of community banks and other mid-market companies to help them navigate the challenges of change.

As part of his 35+ years of financial management leadership, Eric led the financial team of Happy State Bank (a $6 billion community bank headquartered in Amarillo, Texas) for nearly 8 years as CFO until its acquisition in early 2022.

Eric earned an MBA and holds professional certifications as a Certified Public Accountant, Chartered Financial Analyst and Certified Management Accountant. He is a 2017 graduate of the Stonier Graduate School of Banking and is now part of the faculty. He has been published in professional journals including the *Journal of Accountancy* and presents at industry and continuing education events.

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