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Regions Financial's quest for a business-aligned IT organization

By *Lauren Bielski,* senior editor

John Dick, executive vice-president and CIO, at Birmingham, Ala.-based Regions Financial Corp. was hired in 2001, to bring new clarity to the IT operation of an institution that had galloped into super-regional size over a decade of M&A.

Over time, as he describes it, his group transitioned from being mainframe and conversion-oriented to becoming a business aligned operation in which metrics and standardized approaches to service level agreements improved project outcomes and cost.

Lauded for his managerial efforts and early results, Dick has received a high ranking in the *InformationWeek* 500, which lists innovative users of technology. *ComputerWorld* magazine, meanwhile, identified Regions as one of the 100 best places to work.

Here, Dick talks with *ABA Banking Journal* about his objectives with the organization based on a presentation given at the ABA/Foreward Financial Operations Conference in Memphis earlier this year. The CIO has also served in technology leadership and consulting positions with Wachovia, PriceWaterhouseCoopers, and SunTrust as well as serving as CIO North America for GMAC in Detroit.

What was going on with the bank when you joined it?
Regions had gone through tremendous growth in 1990s, having completed about 80 acquisitions. Throughout this period, the IT staff had grown very adept at incorporating smaller operations into the Regions family; conversions were a dominant aspect of the department's workload. Otherwise, the IT staff was oriented to maintaining core-processing systems—these guys were mainframe gurus. But the bank had limited experi-

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ence with distributed computing.

When I met with senior management in 2001, I was told the bank needed IT to move beyond its M&A focus and set itself up to accommodate organic growth.

The bank needed to consolidate its technology holdings?

That was certainly part of it, although they were pretty organized for a bank that had experienced such a level of M&A. The real target was developing some distributed capabilities, new work methodologies, and improving our ability to work with customers. This meant setting the organization up to reach out to customers, improve cross-sell ratios, and identify future opportunities.

Getting to that point would require an infrastructural upgrade and, concurrently, a re-organization in IT operations. Basically, the bank wanted to find a way to leverage its community bank culture but still take advantage of its significant scale, and they wanted overall operational efficiency.

What architectural changes were made?

When I arrived, the network was in the middle of an upgrade. But everything else—from the servers to the routers—needed to be replaced. We needed to rely more and more on distributed architecture, as I said. In terms of applications, the transition would require us to improve customer information and use customer relationship management applications.

As a first step, we needed to refresh our branches. We standardized on Dell desktops. Ultimately, this "groundwork" would impact our lending systems, the internet banking platform, and other such systems. Today we use the EDS Sellstation Platform for branch automation; Appro and LaserPro in the loan origination process. We've done a lot of transaction automation using Sellstation and have fully integrated the loan process.

The infrastructure upgrade must have been costly.

Quite frankly, we did all this work at a good time in the business cycle. The technology industry had suffered a setback during that period. However, while other banks backed away from technology pur-

chases, we opted to move forward, despite the economic outlook at the time. As a result, we were able to refresh routers and upgrade our storage and servers used throughout the branch network and get standardized on Server 2003 and Microsoft XP without breaking the bank.

We actually ran Microsoft XP six

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months before anyone else did and benefited from vendor support throughout that deployment. In addition to a significant increase in transaction speed the primary advantages with XP and the Windows Servers 2003 have been stability and support. Microsoft was an excellent partner during this time. To manage ongoing costs, we worked on vendor service level agreements and looked at contracts more closely.

Are your call centers outsourced?

The call centers are internally staffed. They use many of the same systems that are used in the branches. Our telephony platform is Edify/Genesys which provides additional computer telephony integration and voice response automation for customers and agents. Additionally, our call centers access an administrative component of our internet banking application to assist our customers.

What other changes did you make?

The bank had been operating in a very decentralized way. Many IT decisions had been made intuitively rather than by some documented procedure. Lines of

business tended to buy their own hardware and deploy their own applications with vendor partners that they vetted.

We wanted to recentralize and somewhat codify those project identification and purchasing functions. I wanted to develop some discipline in how we purchased technology, how we evaluated projects and how we sourced them.

You also put a new managerial layer into the organization.

We created consumer information officer, commercial information officer, operations information officer, and corporate information officer positions. These are trusted, respected IT staffers that essentially make sure objectives such as business and partnership planning, program management, application delivery, information and technology management, risk management, and finance and administration are routinely met.

Initially, I had them each do a SWOT (strengths/weaknesses/opportunities/ threats) analysis and from there we developed a plan of action for each; now they help me to monitor organizational progress.

How do business managers get involved with IT planning?

Several committees were put into place to ensure that IT, in effect, truly supports the business and is developing projects that make sense given Regions various business objectives.

We also want to make sure operations are contributing efficiently. So, for instance, the Data Advocacy Working Group was created to make certain that information is accurate and can be accessed by departments that need data for various sales and marketing applications.

The Technology Council includes line of business and staff group leaders who meet every two or three months to generate approval for larger projects and discuss, generally, the portfolio of projects to make sure the bank is on target. Another group, the Technology Forum, includes representatives from various affliates, including Morgan Keegan. The Forum is a way to keep affiliate executives involved in the loop of upgrades and new technology deployments that may affect their operations. For instance, we

have several customer information initiatives in play right now and are in the midst of evaluating what telecommunication products we will be working with.

This was a multi-dimensional overhaul.
We wanted to refresh infrastructure and standardize where possible, while deploying a business model of IT. Regions didn't have a detailed enough view of what it was spending on IT and what sort of ROI it was getting on applications and systems.

Clearly, the bank could benefit from making costs more transparent to management. Where before, only the CIO handled budgets and looked at the project from a cost perspective as well as a technological one, now, various project specialists and managers down the line in IT have to be fiscally accountable as well.

As involved as all that was, it represented the "set up." What happened next?
Later, I was interested in how the technologists actually functioned day to day and, generally, in running the operation strategically. For infrastructure, for instance, this meant improving capacity planning, and disaster recovery and continuity; as well as instituting more formal procedures for testing and change control.

Basically, I wanted to improve job scheduling, institute proactive system monitoring and work at the help desk, and improve a host of other such operational details.

How large is your staff?
The IT staff includes about 650 employees; it will double in size and responsibilities later this year when Regions completes its merger with Union Planters Corp.

Managing cost was important, but in your presentation, you mentioned other key objectives that were equally valuable.
Instilling process discipline among the IT staff has made a significant difference to

Correction
In the June Tech Topics article, "Breakout systems and applications," the name of an analyst with Zapthink was misspelled. The correct spelling is Jason Bloomberg. We regret the error.

Wachovia launches web-based loan origination system

In a move it says will double productivity in its lending operations within two years, Wachovia Mortgage has implemented the Impact Mortgage Services Suite, a web-based mortgage fulfillment system from New Jersey-based Palisades Technology Partners.

Tom Wood, director of operations for Wachovia's Mortgage Group, names features such as work queues, task management, and processing alerts as key items in improving the lender's productivity. The Impact Mortgage Suite modules include Point-of-Sale, Prequalification, Processing, Underwriting, and Closing.

Skipping an entire technology generation saved the bank the cost of implementing an interim step

All told, about 450 employees will use Impact by the third quarter of 2005. Wachovia plans to rollout the application to an additional 1,000 users in 2006, including loan officers at recently acquired SouthTrust.

Fast implementation
Wachovia, the fourth largest bank holding company in the U.S. with assets of $506.8 billion, implemented the system within one year, which Palisades' COO David Aach says is quite fast in an industry that measures implementation in terms of multiple years.
"It's unique for a top lender like Wachovia to be able to implement a new loan origination system in such a short time," says Aach. "To the best of our knowledge, there has not been a success of this magnitude on this timeline in the industry."

The implementation speed comes from Impact's use of web services, XML standards, and out-of-the-box rules engine technology that can be quickly integrated into a lender's environment while still enabling the customization needed to support a lender's unique business processes.

Another selling point for Wachovia, says Aach, is that nearly 1,000 users at Ditech.com have been using the full Impact Suite since 2002. Wachovia was also impressed with Palisades deep domain knowledge in the mortgage lending industry and the fact that its management team have been working together for more than 15 years. "It was critical to Wachovia that their vendor be familiar with their business so they could quickly determine how best to tailor a system to the bank's unique requirements," notes Aach.

Impact replaces Wachovia's legacy, DOS-based loan origination system from FiTECH. The good news for Wachovia, says Aach, is that the lender totally skipped moving to a Windows-based, client-server environment and jumped directly into web-based mortgage lending. Skipping an entire technology generation has, in hindsight, saved organizations such as Wachovia the expense of implementing technology that has turned out to be just an interim step to lower-cost browser-based technology.

Customer service benefits
Impact will also improve the "customer experience" says Aach. Because so much of the typical mortgage process is manual, oftentimes customers are asked to

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our ultimate result. For instance, having more IT staffers involved in budgeting got us critical information sooner and resulted in better purchasing decisions.

We also hired some project management people and instilled some discipline that allowed us to identify projects and execute on them in a consistent and cost effective way.

Last, but not least, we shortened our response time and developed a method for handling system crashes and problems in the field. Now, when something goes wrong, we have much more rapid response times and quicker remediation. We have far fewer branch emergencies and issues; operations overall run more smoothly. This is a visible improvement that has benefited the entire organization.

What are some key objectives going forward?
We really want to move into being a business integrated IT shop, one that can anticipate necessary projects and also make a meaningful contribution in the form of advice and service to the project portfolio contemplated by the business staff. This will allow us to improve customer experience and deliver new business capability in a timely way.

Right now we are a third of the way through the integration with Union Planters, with the second and third conversions slated for August and November, respectively. Being a true merger of equals, this project has been approached differently than previous conversions.

We've looked at business processes from both legacy organizations and adapted them on a "best of breed" basis. As a result, 300,000 hours have been set aside for system enhancements and upgrades as well as the actual conversions—which means attention will be paid to optimizing systems as well as simply getting them synchronized and functional.

Can you give me an example?
We had instituted a Production Integration Environment (PIE) at Regions, a test environment essentially, that had been put in place as a last quality assurance step prior to changes and upgrades being implemented. We expanded the PIE for the merger and were able to complete three full test conversions (a mock and two dress rehearsals) including all systems/all records prior to the actual conversion. The result was, we knew, down to the customer-record level, where we might have an issue in actual conversion. In the first phases of conversion, this resulted in a low number of problems with records.

Any other areas of activity right now?
In addition to the merger we are also focusing heavily on improving our customer information and analytics.

Yet another focal point is continued automation of our check processing capabilities. We have an excellent image archive and we implemented Vector's image returns and adjustments components last winter. We're currently evaluating other capabilities required to operate entirely with imaging, including a common payments database, IRD production and handling, image exchange and some remote capture. *BJ*