

TAKING OFF THE BLINDFOLD

by [Steve Brown](#)

At our recent strategic management offsite, we had the opportunity to do enjoy a team-building experience designed around driving off-road vehicles. In one part, blindfolded drivers took turns traversing a course, based merely on the voice commands of a teammate. The experience was great and we would highly recommend it to other bankers.

The reason we bring this up is because, as with off-road driving, hazards are everywhere these days in banking. Only by working smarter and listening to other team members can the entire organization effectively move to the next level. Competition is running high and community bankers must be very astute to avoid driving into a ditch.

In order to compete effectively and improve performance, banks must strive to improve their processes. This can be done in three basic ways and each one delivers results. Broadly defined, the three are by eliminating nonessential functions, redesigning processes or through a comprehensive restructuring.

Let's break down each one of these performance enhancement opportunities in order to see where value can be obtained. To begin, community bankers that cut nonessential functions should focus on simplification. Asking every employee to continually think about ways to slash redundant or burdensome processes can result in significant cost savings and improve customer satisfaction. While there is a natural limit to how much can be removed from any given process without sacrificing customer satisfaction, many opportunities remain. Management teams focused on reduction must have a program in place to encourage and reward employees that continually challenge why the bank does certain tasks the way it currently does. By continually eliminating nonessential activities that do not drive core objectives, banks can improve both quality and efficiency. This is important, since studies show banks that cut nonessential processes can improve returns by as much as 25%.

As with cutting nonessential processes, bankers can also improve profitability by redesigning them. This begins by taking the time to dissect processes into their component parts and then determining what is essential and what is not. By eliminating processes that don't contribute to core values and by focusing efforts on enhancing automation, studies show bankers can boost performance by up to 35%.

To get the biggest bang for the buck, however, bankers should consider completely restructuring parts of their business. Such activities are more difficult and require more thought than those outlined above; however they can boost performance by as much as 40%. When doing a complete restructure, the bank's goal is to remain just as effective, but to do so at the lowest cost possible. This can result in consolidation, shifting around business units or portions of units and can include outsourcing.

In short, if everyone in the bank continually thinks about how to make things more efficient and more automated, productivity can be continually enhanced.

Hazards are everywhere in the banking landscape, but driving around with a blindfold on and being complacent is not good for community banks. Continually eliminate nonessential activities, focus on

what drives core values and encourage employees to provide ideas and the obstacles are easier to overcome.

BANK NEWS

M&A

Ridgedale Financial (\$90mm, MN) will be purchased by Highland Bancshares (\$400mm, MN) for an undisclosed amount.

Wacho

Wachovia reports net income fell 10% in 3Q, its first quarterly decline in 6Ys. Lower revenues, higher credit losses associated with mortgages, increased loan loss reserves, acquisition costs for Golden State and higher non-interest operating expenses all contributed.

First Horizon

The Bank posted net income of -\$14.2mm for 3Q, down substantially from a \$67mm profit from 3Q 2006. Mortgage losses and \$8mm in capital markets losses associated with its brokerage unit were the culprits.

WAMU Wham-o

Washington Mutual said nonperforming assets soared to 1.69% of assets in the 3Q (\$5.45B), compared to 0.69% of all assets one year ago. To top it all off, the Bank got hit with a C&D over BSA compliance.

Sales Culture

A recent study finds top sales performers at banks generate twice the revenue of average performers.

Remote Capture

Community bankers should take note that Zions says it now has nearly 4k remote deposit customers and is processing 1.2mm items worth \$3.2B per month. The bank has focused its RDC effort on small business and corporate customers and reports that geographic expansion has been advancing at a rapid pace.

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