

GOAL SETTING

by [Steve Brown](#)

Director Mel Brooks had a management technique that he loved. He hated handling problem employees so he designed a technique to compensate. He would hire a "production coordinator," have them show up to the first on-set meeting 15min late and then fire them in front of all the workers. The fired employee knew this ahead of time, so no big deal. Brooks, however, guaranteed that he had 100% on-time attendance for the rest of his production.

When we talk to bankers across the country, we often ask "what are your goals this quarter?" More often than not the employee doesn't know or they talk in generalities about "bringing in more business" or increasing "customer service." Last week, a client bank on the East Coast posted a 25% drop in their cost of funds from their benchmark. We had to ask why and expected to hear about a new product or branch. Instead, the banker told us management had set specific goals for the first time in the bank's history.

Their goal was this - reduce funding costs by 20bp relative to 1-month LIBOR during the quarter. To do that, the management team broke the goal into 5 sub-goals and each was assigned to a particular manager. For example, loan relationship officers were tasked with and given incentives to increase DDA and money market balances with a program focused on taking 100% of their loan customers in January and offering them a VIP-type business bundle (checking, MMDA, debit, credit, etc). Branch staff had to call 100% of their accounts in Jan and Feb with an offer to waive fees if the customer could bring over \$5k of new balances from another institution.

In each case, goals were specific, quantifiable, manageable and time specific. Employees were not only told what their goals were, but how their goals connected to their department and to the bank. We tested this and sure enough, the 3 sample employees that we spoke to not only knew their goals, but could tell us the percentage complete in achievement (most ended up achieving over 100%) and how their performance impacted bank operating income. This tying of goals was important, as it supporting a positive feedback loop and employees could see how their performance was affecting the bank's bottom line.

Before offering a high deposit rate, trying a new advertising campaign or designing a new product bundle, make sure you have squeezed all you can out of your staff. Clear direction can be a powerful tool and setting, monitoring and rewarding based on specific goals can prove productive.

HIGH PERFORMANCE BANK WORKSHOP

Room rates at our next High Performance Bank Workshop have been reduced at the Ritz Carlton in Amelia Island, FL from \$302 to \$199/night. The Workshop is on May 28th and 29th and is guaranteed (your conference money back if your not completely satisfied) to give you immediately actionable ideas to lower deposit costs, increase loan demand and better manage risk. Hear directly from other bankers what is working and what isn't in this economic environment. Email us to request a brochure.

BANK NEWS

BofA Patent

In a move designed to capture more small business customers, Bank of America said it has received a patent for new technology it will market to its corporate clients. Called "Active Card Control," the technology allows clients to reset the available funds on corporate credit cards in real time, leaving no available funds on the card until the client needs to pay a supplier. Then, by using a web-based tool, customers can submit electronic purchase requests to BofA, which immediately funds the card with the exact amount to be paid.

SARs Reporting

A new FINCEN report indicates financial institutions are getting better at finding fraud during loan processes. The report showed suspected fraud was detected before loan disbursements in 31% of mortgage loan fraud SARs filed and that suspected mortgage loan fraud reporting jumped 42% over the prior year.

FRB Commentary

In a speech given yesterday, FRB SF President Janet Yellen (non-voter) said the economy has stalled and could shrink over the 1st half of the year. She also said "...residential construction would be a major drag on the overall economy through the end of this year and into 2009."

Consumer Stress

Given that consumers account for 67% of economic activity, note that the latest quarterly data shows the largest number of people in 16Ys have fallen behind on their loans. Late payments on auto loans reached 3.13% (the highest on record), credit card delinquencies increased 5% from year-end (to 4.38%) and home equity loan delinquencies surged to a 2.5Y high.

Plot Thickens

Reuters is reporting that Fifth Third Bancorp () has reportedly joined the party considering buying National City Corp and has entered into "preliminary talks."

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