

LAUNCHING INTO SPACE TO CAPTURE MORE PROFIT

by [Steve Brown](#)

You don't have to tell an astronaut that it takes the shuttle 8 1/2 minutes to launch into space. When you think about it, that is very fast, but it is probably not nearly as word can spread around a bank when interesting things or major changes begin to happen. As the ongoing credit crisis leaves most community banks struggling to maintain profitability in 2009, changing even small things can make a big difference.

Consider something as simple as the employee that is given a 30 minute lunch break but takes 45 minutes to an hour. Given a typical 250 day work year, the 30 minute break consumes roughly 6% of the overall day's available working time. When employees extend lunch to 45 minutes, that number jumps to over 9%, while the hour break eats up nearly 13%. Now, take those numbers, multiply them across all branches and all employees and one can quickly see how a little thing can have a big impact on a company. Even more important, when one employee gets back to work in 30 minutes, while another takes 45 or an hour, management sends a mixed message. Allowing for such a wide disparity not only hurts company profitability and productivity, but it is also significantly damaging to the morale of the most diligent workers. Don't get us wrong, as we are not advocating buying stop watches for management, but simply reminding all employees of policies regarding breaks never hurts. As the year launches, every second will count, so productivity must be increased wherever possible.

Another place banks might consider reviewing is internet usage. If your bank allows everyone to download whatever they want (or to install software picked up on the internet), without monitoring what is being downloaded, the bank is exposed to risk. Just the sheer number of employees accessing web sites each day is massive, so making sure policies and procedures are clearly understood, reeducating employees on the risks of viruses and limiting certain access can ensure your bank is better protected and employee time is used on work related items. Studies find 12% of employees have had a co-worker, friend, or acquaintance send a link to their work email address in the past 6 months that they considered offensive. Given that 93% of employees say they spend at least some time accessing the internet at work for personal reasons, controls are critical. Surfing the internet on lunch break isn't necessarily a bad thing, but allowing employees to view questionable email (can be offensive to other employees), forward jokes (readers do not react in the same way), or download videos (sucks up all the company bandwidth) should be prohibited and monitored closely.

Banks should closely review the costs related to every organization where it pays dues. The budgetary cycle is the perfect time to question whether the bank actively participates in the organization and how much it is getting back. It also forces people to consider whether they really participate, or have simply been paying dues because they always have. Be sure to get your money's worth and start tracking return on investment.

Finally, targeted outsourcing is another way banks can save money. By outsourcing, banks can quickly improve service quality, increase efficiency and reduce costs. Outsourcing frees up bank management, allowing the bank to increase its focus on core business functions, expand bank

services and stay in front of the customer more frequently. Start by looking closely at the CFO or CCO jobs and asking what time is being spent on tasks that are not core to the job. Almost anything can be outsourced these days and freeing up time will clear the way to help the bank win new customers.

If you want to get your bank launching in the right direction in 2009, buckle up and press the ignition button right away.

BANK NEWS

Loans

According to a survey by Reuters, loan volumes fell 55% in 2008 from \$1.7T to \$7.6B, most of which occurred in the latter half of the year. Institutional loans dropped the most by 84% to \$69.7B. Looking forward, the survey cited that lenders will focus on relationships they know and trust and work on bankruptcies, restructuring and modifying loans.

Improved Liquidity

Those keeping score might be interested to know overnight Libor has fallen from a high of 6.88% at the peak of the credit crunch to 0.14% at the end of 2008.

Home Prices

The latest study finds worst housing market in the country is in Phoenix, where home prices have fallen 33% from the prior year. Las Vegas came in 2nd falling 32%, while San Francisco tanked 31%. Meanwhile, Charlotte saw its worst annual drop in history but still performed better than any other city in the report.

CA Muni Pressure

The budget office is projecting the state will run out of cash in February and will rack up a shortfall of nearly \$42B over the next 19 months unless economic conditions improve sharply. As an aside, 24 cities and public agencies in the state tapped reserves or credit lines in 2008, nearly 3x the amount that did so in 2006.

FRB MBS Buying

The Federal Reserve will launch a \$500B mortgage-backed securities buying program this month, as it begins purchasing \$80B to \$100B per month. The FRB hopes to drive new mortgage loan rates down to 4.50% over time with the action.

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