

## **How to Use This Manual**

A bank's long-term success depends on its ability to minimize costs and maximize opportunities. Cost control is more important now than ever before. Growing competition from other types of financial service providers (brokerage houses, insurance companies, etc.) is squeezing banks' margin on earnings. Also, many of these new competitors rely on more efficient delivery systems than banks and are not burdened by the costs associated with government regulation.

With so many revenue factors out of any bank's control, formal cost control programs are a key determinant of a bank's ability to survive, compete, and grow in the future. How can banks grow and survive? The most obvious step and normally the first step many organizations take is to aggressively reduce personnel. You shouldn't. Why? You will eliminate staff without eliminating workload. This means the remaining personnel must complete their own responsibilities and those of the former staff. This will have an immediate impact on your organization's morale and even may signal a mass exodus of your remaining employees. Damage control in these situations may be too late.

*Controlling Operating Costs* helps you reposition your bank for the future by creating a strategy that ensures long lasting success. This manual helps you to identify cost savings opportunities and develop effective cost control programs. Organizing a comprehensive cost control program affects all areas of a bank; covering those areas, this manual focuses on the following:

### *Part I — Setting Up Your Cost Control Program*

This section of the manual provides you with the tools to analyze your current environment and identify your bank's cost control opportunities.

On completion of this section you will have a better idea where hidden opportunities for improvement, from both a cost control and revenue generation perspective, reside within your bank.

### *Part II — Designing a Blueprint for Process Improvement*

As discussed earlier in this overview, reducing staff without reducing workload can create disaster within your bank. The information in this section provides you with the tools and techniques to conduct successful redesigning processes within your bank and then once completed, identify the ideal staffing levels for your departments.

We offer a hands-on and practical approach to follow in reengineering your institution. We provide practical suggestions and best practices that banks successfully have implemented throughout the United States. Broken down into the major departments within a bank, our checklists provide easy recordkeeping of your plans.

After reengineering a department or your entire bank, you may think that you have excess staff in some departments and not enough staff in others. We provide you with an outline and approach that you can

follow to measure the productivity of your employees and create staffing models for each bank area. These staffing models will become a valuable management tool for your department managers. Kept current, these models also will provide your managers with a tool for determining future staffing.

*Part III — Controlling Noninterest Expense*

While analyzing your current situation, did you find that controlling noninterest expense is an area where your bank lags behind your peers? If so, carefully read this section of the manual. Complete with chapters on the major noninterest expense categories, this section provides you with practical ideas and solutions to help you gain control of your expense situation.

*Part IV — Controlling Salaries and Benefit Expenses*

Salaries and benefit expenses continue to be the major expense for most companies. How can you control these expenses while still offering competitive and attractive programs to current and future employees? This part of the manual provides you with several ideas for handling your salary and benefits programs.

*Part V — Keeping Up with Technology*

One of the most difficult challenges for any bank is keeping abreast of the rapidly changing technology. After ordering and receiving new technology, many banks soon realize that new and improved version and/or models have entered the marketplace.

- With the limited dollars and resources you have, what should your bank purchase?
- Should you explore and implement a home banking package?
- What about the Internet? Should you have a home page?
- Should your purchase a phone banking system?
- How should you incorporate technology into your existing processes?

These are valid questions. This part of the *Controlling Operating Costs* manual helps your management team provide answers to important questions regarding technology purchases.

*Glossary*

Rapid technological advances, integration of technology into bank operations of banks, and acceptance of technological changes make technology and related issues integral to your strategic planning process. New terms also emerge as technology advances. The Glossary provides definitions for evolving terminology and shorthand.

*CD*

The accompanying CD contains the entire manual. Use the CD to customize the checklist, forms, and templates that accompany your chapter files.