Elon Buys a Bank

by Charles B. Wendel

The regulatory approval was easier than anyone thought. After all, FTX and crypto savant Samuel Bankman-Fried could buy Farmington State Bank, a three-employee bank in Whitman County, Washington. Of course, the richest man in the world with deep pockets and smart lawyers found he could buy a much bigger institution.

Two months later Elon and his team were operating the bank with 60% fewer people. And, somehow, customer service had improved. The operating expense figure soon dropped from more than 70% when he bought it to 25%.

How did he manage that? Here's a brief list of some of the actions he and his team took.

- Big meetings ended. You know, these are meetings held in big room, where 50% of the people say or contribute nothing. Many of that 50% were exited the bank.

- Meetings had clear agendas and ended with decisions made, not deferred for yet another meeting. Fewer meetings, less passing the buck, fewer employees required.

- Support groups had to justify each and every function and the persons performing them from a bottom line, customer quality, or regulatory perspective. Elon headed those intense meetings. Many of the permanent management class entered those sessions with suggested 5-10% cuts and left with 40% or more mandated cuts.

- Those meetings also quickly uncovered the silo mentalities with which certain groups (at his bank Digital, Marketing, and IT) failed to team up with others in the bank. The leaders of those groups quickly disappeared and replaced.

- It pains me to write this, but most consultants disappeared, except for those with critical IT capabilities. The name and logo changing initiative underway when Elon bought the bank was quickly abandoned and millions of dollars saved.

- Rather than the core processors dictating to Elon when he could expect certain internal and customer focused capabilities, Elon gave them timelines for performance. If they failed, he suggested that he and others could create their own core capabilities. Within months their responsiveness increased dramatically.

- Bankers retuned to the office except for some sales staff visiting clients and IT. Productivity increased.

- Human Resources changed its focus to emphasize decreasing the reporting and time burdens on all bank groups, in particular line officers.

- Calls to the once high employee growth ESG department either went unanswered or took several days to return. New personnel replaced the entrenched staff and initiated an 80% staffing drop.

In a recent interview, Elon said that most of these changes were easy to accomplish, but that one thing still puzzled him. “It didn’t take much struggle to make these changes. The employees are happier because they know they’re contributing rather than pushing paper. Customers know we’re focusing more on their needs rather than trying to manage across internal BS. I don’t understand why banks haven’t already been doing this. Former staff kept talking about regulations, but they seemed to use that as an excuse not to make tough decisions. I didn’t buy that.”