

Revenue Generators: Take Back Your Bank!

by Charles B. Wendel

Summary: For years revenue generators in banks have been operating under the thumbs of an ever-increasing number of cost-generating support staff. That needs to stop now.

The new team entering the White House has proclaimed an eagerness to examine the Trillions being spent and attempt to decrease waste. Even many Democrats support this effort.

One notable high-cost personnel example involves our military. A 2013 US News article reports: “The Pentagon still has 37 four-star general and flag officers, or G/FOs, on its payroll, which is more four-stars than served during World War II – when the military had nearly 10 times as many enlisted personnel.” And with more generals comes more support staff. “The GAO found that headquarters support costs had more than doubled from fiscal year 2007 (\$459 million) to fiscal year 2012 (\$1.06 billion).”

The military and most governments are easy cost targets, but so are most banks. Of course, every few years banks go through a cost reduction process. As a consultant, I’ve been a part of that process many times.

But top management often lacks the knowledge, drive, courage or commitment to change their bank’s cost structure in a more fundamental way. And, frankly, many “leaders” are self-satisfied. They are making money, the BOD is quiet, they are approaching retirement or a sale payday. Why take chances? And I’ve met with senior bankers at well-performing banks who flat out state, “Let the next guy [they say guy] do it.

We all have seen or read of people called horse or dog whisperers. Their voices and gestures allow them to control animals that owners have found difficult. Banks have CEO-whisperers. Usually, they are support personnel who have the ear of top management. In effect each of these whisperers works to position him or herself as critical to a bank’s success while also establishing themselves as critical employees. They include:

Information Technology. MEGO (“My eyes glaze over”) summarizes how many senior bankers view technology discussions. IT’s ability to confound by abbreviations is unparalleled. And the “newest thing” serves to ensure their importance and bigger budgets (AI anyone?)

Legal. The Legal group may include Compliance and other related activities. More than one banker has said to me, “I’m working for the regulators, not the customers.” Understanding that regulators, some of whom are inept, can ruin your day/week/month, bankers who believe this should go elsewhere. Top management needs to push back in this area and question what actions are essential, which can be outsourced, and which can be delayed or eliminated. While appreciating and valuing the input of compliance personnel, top management needs to be the ultimate decision maker. (Let’s be clear, I’m not suggesting that rules be ignored, but they can be executed more efficiently.)

Human Resources. HR heads are often the ultimate CEO whisperers. Being a top manager can be a lonely job. People want access, each one has a personal agenda, and their agendas often

conflict with others. An HR head can position him/herself as an “independent” sounding board. They also have the opportunity to direct management into new directions, ones that they support. And if that increases their staffing and power, it’s all in a good cause, right?

There’s no need for me to add another voice to those attacking DEI. It *may have* been a good idea at its inception (frankly, I doubt that), but it became a monster. See LA.

Depending upon your bank, other units may offer the opportunity to rethink your approach, take out staffing and dollars, and provide customers with an improved focus. Banks often seem to operate like private clubs rather than public institutions. Profit and growth are nice, but too much of either creates future challenges.

It may not last long, but right now many Americans feel that we are on a new path of growth and responsibility after four years of I’m not sure what. Somewhere out there in Bankland, there exists a handful of banks headed by men or women who want to throw off the excess bureaucracies that suffocate bankers and put customers ahead of other concerns. Not only will those banks perform better, but the positive esprit of its employees will carry over to customer satisfaction.