Seven Characteristics of Highly Efficient Banks

By Mack Wood

Increasing competition within financial services, the pace of technological innovation, and bank consolidation all focus bank executives on controlling costs in banking and providing efficient operations. Many years of working with banks on productivity projects indicates to me there is no silver bullet for how certain high-performing banks achieve greater operational efficiency than that of their peers.

I have found today’s most efficient and effective banks have certain key initiatives and practices in place. These traits are essentially intrinsic to the institution, as management does not allow external trends to greatly influence their strategies. Rather, these banks radiate an inner confidence that helps them execute key activities with focus and vigor.

Here are the seven characteristics I find most common in the most efficient of today’s high-performing banks:

1. Paper Removed Throughout the Organization

Efficient banks understand the benefits of implementing a comprehensive paperless strategy; many other institutions struggle to grasp the concept. This gap between a bank’s goals and where it currently stands is not insurmountable; however, realizing the full benefits of a paperless organization takes more than implementing new imaging technology. Comprehensive paperless banking requires a commitment to digitize the entire institution, and changing processes and procedures underpins the effort. Until a bank’s paperless planning and strategy mature, the institution stands to lag behind peers in productivity gains.

To realize savings and greater efficiency, banks must move to the paperless operating environment sooner rather than later. Efficient banks have driven a sound paperless strategy, identified the metrics and goals, defined measurement characteristics and run a pilot program. They make the investment to ensure enterprise content management (ECM) produces a substantive financial benefit.

2. Processes Aligned with Technology

Progressive and efficient banks continually seek to optimize their business processes; they are never satisfied with business as usual. These efficiency gains rely on process innovations and process redesigns that often leverage technology. Technology enables newly designed processes by reducing or eliminating the barriers of time, location or organizational structure.

Process improvement has become part of the industry’s lexicon, and the technology to support it advances at a rapid rate. Carefully aligning technology with task can create differentiation for banks. Savvy bankers invest in both technology and corresponding business process improvement initiatives to ensure they maximize their investment in IT and people for the long term. The process improvement and technology initiatives at high-performing banks support both their strategic vision and a formal technology plan.
3. Employee Buy-in Sought and Facilitated

Enabling change requires employee commitment and participation. Highly efficient banks find ways to gain employee buy-in and active participation in projects to increase efficiency – and disrupt the status quo. As part of any facilitated consensus-building process, the planning of improvement initiatives must include executives from key areas from the beginning.

The facilitation method should create action teams for employee productivity task forces. These team members are selected by the executive team and should be the bank’s subject matter experts in their respective areas. Action team members, along with any third-party experts, actively participate in improvement projects and assist in implementing the findings they uncover. Ownership of both ideas and actions goes a long way toward achieving comprehensive implementation of productivity-raising efforts at very efficient banks.

4. Effective Change Management

The routine aspects of running a bank can lull managers into overlooking how problematic implementing change can be. Yet, the continuous effort to improve a bank’s efficiency demands a proven change management methodology. Effective and efficient banks bring their staff on board with the changes by having them actively participate in the change process. Change at efficient banks is a constant evolution, but it is understood and managed in a way that employees can effectively cope. Bank managers become a settling influence in the process.

A strong change management discipline allows the affected employees to understand the need for an improvement and have a voice in how the change will be implemented. Successful banks try to use face-to-face communications to handle sensitive aspects of any organizational change within an initiative.

5. Strong Internal Communication

Beyond managing change, an efficient bank effectively communicates its plans to all stakeholders in new initiatives. An effective internal communication strategy becomes critical to keeping all participants on the same page. Carefully designed communications pieces, addressed to the staff, can have a significant, positive impact on the outcome of the overall effort. Through experience, outside experts may offer additional insight into the issues that the bank must most likely address and can also provide the bank with a number of approaches to assist in communications.

Banks must communicate efficiency changes to customer-facing employees in such a way that they:

- Are aware of any new productivity changes on an ongoing basis
- Understand the impact of change on the bank’s customers
- Know how to help a customer if asked and are trained on the applications
- Know the timeline and have the materials that clients receive in advance of any customer communication
6. Clear Metrics and Incentives

Highly efficient banks realize one can’t reward what one can’t measure. These institutions ensure that the insights gained from market analyses, redesign of business processes, and realignment of human resources are reinforced with appropriate goals, measurements and incentives.

These banks develop revenue goals down to the product offering and market area level. They leverage their strong internal communications tools – newsletters, town hall meetings and structured emails – to reinforce progress toward productivity goals on a repetitive and frequent basis. The management reports at effective and efficient banks give quick visibility of progress toward new objectives at relatively short intervals, allowing for prompt action when progress falls short of expectations.

Many of the key performance indicators (KPIs) that management tracks are an output from the facilitated small group sessions — those employees can best identify the performance of a new initiative they helped create and foster.

7. Training as an Investment, Not an Afterthought

Successful banks experience training outcomes that create empowered, skilled and knowledgeable employees. Effective training directly impacts individual performance. In turn, an organization’s ability to achieve productivity gains can be related to the efficacy of employee training.

Poor training, or the absence of training, is costly in terms of rework, errors and weakened employee morale. An investment in training demonstrates an organization’s commitment to employee development and success, which results in lower turnover, higher proficiency and, of course, higher efficiency.

Highly efficient banks rely on a proven training methodology, a key factor in designing and developing effective training programs for employees. Effective training programs can quickly respond to knowledge gaps or situations that require additional employee knowledge.

Conclusion

Given the volatility and unpredictability resident in today’s financial services industry, bank management may find itself tempted to practice a reactive approach, to shift gears every time a new set of circumstances presents itself. However, I believe it is possible for a bank to adopt a set of habits that rise above finite circumstance and create an environment conducive to continuous improvement. This environment is reflected in the seven characteristics of exceptionally efficient banks.

About the author: Mack Wood is managing director of FIS Consulting Services and can be reached at Mack.Wood@fisglobal.com or 414.357.3554.