

## Success Story

### **Citizens & Northern Bank**

Pennsylvania

Assets: \$1.3 Billion



## Consulting Services

### **A new org structure and streamlined processes add up to typically atypical growth for this bank that bucks the trends**

There's nothing typical about Pennsylvania-based Citizens & Northern Bank. They've had the same chairman for 30 years. And while it's a sizable \$1.3 billion bank, its main office is located in a town of 3,000 people. Most unusual of all, in an economy where a record number of banks are failing, Citizens & Northern is actually set to increase earnings this year.

"Not only are we set to realize a pretax bottom enhancement of nearly \$2 million," says Craig Litchfield, Citizens & Northern Bank Chairman, President and CEO, "but we have made organizational changes that will allow us to better focus our resources on customer service to enhance, retain and build our market share."

Because C&N had experienced significant growth in the last few years, it became necessary to realign the organization and its operating strategy to match that growth. The bank's leadership brought in Sheshunoff Consulting + Solutions to help them through the process.

"Citizens & Northern had a tradition of being a close-knit organization, where employees went directly to the CEO to get changes made," said David Millican, SCS Engagement Manager. "The bank had grown to the point where that was no longer possible, so we needed to better empower the senior management team and solidify policies and procedures."

For instance, the necessary separation between sales and support services was not clearly defined. Retail Loan operations lived on the sales side, and they did not have a true Credit Administration department.

"We want people on the sales side to have time to sell and not worry about the nuts and bolts of operations," Millican said. "And as long as operations was on the sales side, the sales staff might have distractions in their jobs. We realigned the departments so they're better positioned to bring in new business."

In addition, Millican and his team were able to

centralize Loan Operations and Deposit Operations, and create a true Credit Administration department. They identified opportunities to improve operational effectiveness and performance, developing a structure that could carry C&N to the next level.

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*Craig Litchfield, Chairman, President and CEO  
Citizens & Northern Bank*

"The structural changes were the most painful and also very necessary toward improving our functional processes," Litchfield said. "The vision for C&N has been to remain an independent community bank to better serve our market constituents and our shareholders. The structural changes coupled with the revenue enhancements will assure that vision is attained."

To help with the new organizational structure, SCS also created staffing models for each area. "Most banks don't have a clear picture of how to staff," Millican said. "Our staffing models are very logical and give leadership a way to scientifically staff each department. In addition, a lot of expense reduction came from improved staffing models."

On the revenue enhancement side, SCS performed a product rationalization and identified several "grandfathered" products—products that had fallen through the cracks following various mergers and acquisitions. "When they were making decisions on pricing, these weren't being taken into account. Instead we made sure they had the right product offerings, and then folded the grandfathered products in."

But arguably the most successful aspect of the engagement was the SCS Action Team process.

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“We had three action teams: Lending, Deposit Operations, and Retail. All of them went extremely well,” Millican said. “It’s a great process because you take people within the bank—not just leadership, but also tellers and account managers—and they get really fired up about doing things differently and improving customer services. Senior management catches the wave of enthusiasm and the recommendations start selling themselves.”

Each Action Team was told up front they would have the opportunity to determine procedures and make policies on how the bank would operate going forward. SCS ensures Action Team members know they are empowered to make those decisions.

“At first they are nervous and skeptical, but after a week or two when they start seeing changes made, they get pumped up and it’s a beautiful process to watch these folks grow,” Millican said. “There are so many things they’ve been doing unnecessarily, just because that’s how they’ve always been done.”

There were nearly 300 recommendations that came from the Action Teams—operational procedures the employees recognized could, and should, be done differently—which, according to Millican, all leads to better customer service with less effort. The bank’s leadership agrees.

“Through the Action Team process, we not only identified processes that needed to be eliminated, modified or added, it also helped us identify the current and future ‘A-players’ who will lead us well into the future,” Litchfield said.

Now that the engagement process is nearly complete, SCS continues to follow up with C&N in case there are questions or any input is needed. And even though the bank experienced some growing pains, leadership feels the support, insight and renewed energy of its staff far outweigh any temporary discomfort.

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“We are grateful to SCS and its people for helping us transform, adapt, and enable our organization to meet the new realities and challenges we are facing,” Litchfield said. “It is an understatement when we say community banking is not the same as it was ten years ago, or even five years ago. Given the national economic crisis, I believe we are ahead of the curve by becoming a more efficient and productive bank.”

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Sheshunoff Consulting,  
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