

Success Story

Jefferson Bank

San Antonio, Texas

Assets: \$650 Million



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Action Teams inspire Jefferson Bank employees to improve bank's bottom line

"I feel like a proud papa telling someone about the Action Team process," says David Millican, Sheshunoff Consulting + Solutions Engagement Manager. "It is fantastic. In an organization, typically policy and procedures are handed down and everyone is expected to fall in line. With the Action Team process, the employees actually become like the senate of the corporation—they make new laws and are able to decide what will be best."

While Millican has helped dozens of institutions through the SCS Action Team process, one very successful graduate has been San Antonio, Texas-based Jefferson Bank.

"Jefferson Bank finished 2008 with strong profit, the second best in a 62-year history," said Richard Petitt, Jefferson Bank Chairman and CEO. "This says a lot considering the current environment in the financial industry."

The \$650 million bank called in Sheshunoff to help develop more efficient workflow and improve earnings.

"We were impressed with the résumés of the consulting team," says Petitt. "They had many years of relevant experience to our specific needs. The reference calls we made revealed banks that were pleased with Sheshunoff's work and results. The company has a very good reputation serving the banking industry."

To help the bank achieve its goals, SCS created three Action Teams: Retail, Lending and Deposit Operations. The teams ultimately made some 300 recommendations, which inspired the bank to continue implementing them even after SC&T left the house.

"We were shown a method of approaching improvement by the functioning of Action Teams to determine what projects, changes, etc. the bank needed to consider and implement," Petitt said. "We have and will continue to implement a great number of procedural and pricing changes that have already and will continue to have a positive impact on the bank's earnings."

Though as is typical with the Action Team process, the beginning met with some challenges.

"It's very common for employees to say in the first week, 'Management will never like this.' They don't believe they really are in control and can establish ongoing working processes and policies," Millican said. "But in a week or two when they figure out they truly are empowered, they catch on fire and really get going. It's a wonderful process to watch people catch that fire."

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In the case of Jefferson Bank, the majority of the Action Team recommendations fell into two categories: technology and procedures.

"The Action Teams felt a lot of the technology wasn't being utilized properly. They were still doing too many things manually and we needed to help employees understand the power of some of the software," Millican said. "The other major area was procedures that had a life of their own. We were able to streamline and eliminate unnecessary work, and increase and improve the time they spend with customers."

Millican encouraged team members to think about any procedure during their average workdays causing them to interrupt time with the customers. "If you're a teller and you have to do production, so you have to ask the customer to wait, that process needs to be eliminated or moved," Millican said. "Getting rid of those things readies employees to wait on customers."

In addition to the Action Teams, SCS helped Jefferson Bank increase productivity and improve NII.

"On the productivity side, it's a matter of matching people with the work that has to be done, so you have

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exactly the number of people you need to get the job done in the most efficient manner,” Millican said.

To do this, SCS re-aligned the org chart based on job functionality rather than each individual’s strengths, and encouraged senior management to weed out any outmoded or ineffective positions. In doing so, they helped Jefferson bank realize more than \$1.8 million in productivity savings—a higher number than initially predicted.

On the NII side, Millican and his team first performed a product rationalization and pricing analysis to ensure the bank has the right kind of products for their marketplace, priced properly, with all the information customer reps need so they can sell.

Further, SCS works with bank employees to make sure they are collecting the fees already in place. “Roughly 60 percent of improving a bank’s fee income is convincing employees to collect the money and not just waive it,” Millican says.

Employees often feel that charging a fee is punitive and not waiving a fee is seen as confrontational. “But that’s not it at all,” Millican explains. “As a customer, if you make a mistake and overdraw your account, wouldn’t you prefer the bank trust you and pay that check so you don’t have to be embarrassed at the grocery store or the hardware store, and then charge you the necessary fee to cover the cost of paying and processing that check?”

The key is to teach staff to view service fees as a way to take care of customers, rather than as a punitive measure. “It reduces hassle and makes the whole business environment better,” Millican adds. “We are helping merchants and we are helping customers and it’s okay to get paid for doing that.”

This type of training and development is just one more way SCS brings employees into the improvement process. Along with Action Teams, this helps staff members see how their actions affect the bank’s bottom line—which, for Jefferson Bank, led to a nearly \$700,000 NII earnings improvement and also successfully positioned the bank to grow and improve for years to come.

“The financial plan for 2009 forecasts increased non-interest income, and increased efficiencies will decrease expenses during the year. Much of this progress is attributable to the recommendations generated by the Action Teams and the implementation of the Sheshunoff models,” Petitt said. “The Action Teams have and will continue to be extremely beneficial ... and, I believe, will become a permanent fixture of the Jefferson Bank culture.”

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