

Cost Optimization

Service Offer



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Cost Optimization as a Reaction to Covid

Background

Current Context

- The **covid crisis continues to unfold**, leading to an overall challenging environment with limited predictability.
- **Profitability is under pressure** due to increased credit losses, shrinking asset earning bases (portfolios), and reducing margins
- There is an **inherent contradiction between:**
 - **Cost-cutting** as a natural response to profitability pressure, which leads FIs to operating in cost-saving mode and/or at reduced capacity, and
 - **Increased resources**, which are needed to help stabilize/resume business development and undertake portfolio management activities (arrear management, loan restructuring, recovery, etc.)

Key Challenges

- **Traditional cost-cutting measures** are typically effective in reducing expenses in the short-term. However, they are often:
 - **Unsustainable and temporary in nature** (difficult to live in cost-saving mode for an extended period)
 - **Delaying expenses but w/o resulting in an eventual cost saving** (e.g., delay of replacement of equipment, refurbishments)
 - The **cause of structural under-investments**
- They are thus **counterproductive as they lead to:**
 - **low performance** – reduced resources and overworked staff
 - **inefficiency** – delaying technological progress, operating with old machinery and equipment, etc.
 - **strategic rollbacks** – not developing new products, services, office refurbishment, positioning, etc.
 - **increased risk** – reduced or cancelled controls
 - **reduced staff satisfaction and commitment**

- To preserve net worth in the long-run, we consider it vital for an institution to go beyond pure cost-cutting and focus its attention on becoming more efficient in the way it conducts its business.



Cost Optimization as a Reaction to Covid-19

Our Solutions

Organizational Structure

- **Best practice review of organizational setup** at head office and branch level
- **Identify optimization potential**, such as function and unit cancellation, consolidation, fewer management layers, etc.
- **Redesign and lighten organizational structure(s)** while ensuring effective operations and business development

Process Review and Optimization

- **Review core processes**, i.e., process flow, setup, roles and responsibilities, etc.
- **Focus on core functions**, lending and portfolio management, retail business, operations and back office, finance and accounting, human resources
- **Identify inefficiencies and provide recommendations** in redesigning process flows, staff & areas involved, control environment, supervision, etc., to create efficient processes and better customer experience
- **Review potential for centralization of processes and digitalization**

Staff / Area Productivity

- **Review performance** (unit performance, staff performance, etc.) **against drivers and KPIs**
- **Assess indicators** within the financial institution and compare them to industry practices
- **Identify areas of underperformance and provide recommendations** for optimization in relation to staffing, network, and organization

Profitability and Cost Analysis

- **Conduct profitability analyses** to identify loss-making or low margin branches, products, client segments etc.
- **Conduct ex-post cost analyses** to identify expense patterns (unit, function, staff, etc.)
- **Identify redundant costs and develop recommendations** for sustainable cost optimization actions



Implementation

Our Approach

Review and Analysis

- **Initial desk-based review:**
 - data analysis and benchmarking
 - process review (flowcharts, processes, etc.)
- **Intensive video calls** with managers, key process owners, staff involved in processes, etc.
- **On-site review and validation** (both HQ and branches)

Description of Measures

- Provide detailed description of **recommended measures and expected impact**
- Develop an **action plan** with a defined **timeline and roles and responsibilities** for implementation

Implementation Support

- **Support management in implementation by:**
 - acting as a sounding board and mentoring or coaching key staff through the decision-making process and implementation, or
 - taking an active **role in direct implementation**, i.e.:
 - communicating and explaining
 - redefining structures, roles and responsibilities
 - developing policies, procedures, concept papers, etc.
 - redesigning of process steps (flowcharts), control points, control levels, etc.
 - training and coaching staff/management in the new setup, process flow, etc.



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We would be glad to discuss your specific requirements and to provide:

- further information on our services and our approach
- possible service packages to address specific needs
- an individualized quote

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