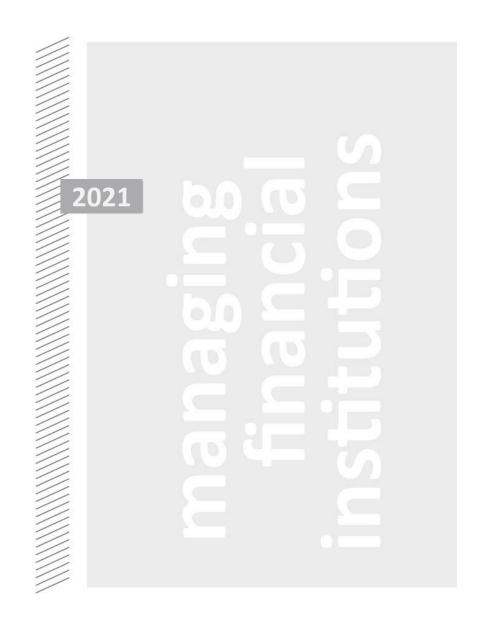
# **Cost Optimization**

Service Offer









# 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 decisionmaking 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.



## Contacts



### Ardian Salihu



#### **Senior Banker**

salihu@inspiring-development.com +44 754 7606 739

### Svetlana Tolmacheva



#### **Senior Banker**

tolmacheva@inspiring-development.com +381 63 640 261

# 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
- $\rightarrow$  an individualized quote





## This document was compiled by:

### I.D. Inspiring Development GmbH

Eschborner Landstrasse 42-50, Haus B 60489 Frankfurt am Main / Germany

Phone +49 69 678 30 79-0 Fax +49 69 678 30 79-99

info@inspiring-development.com www.inspiring-development.com