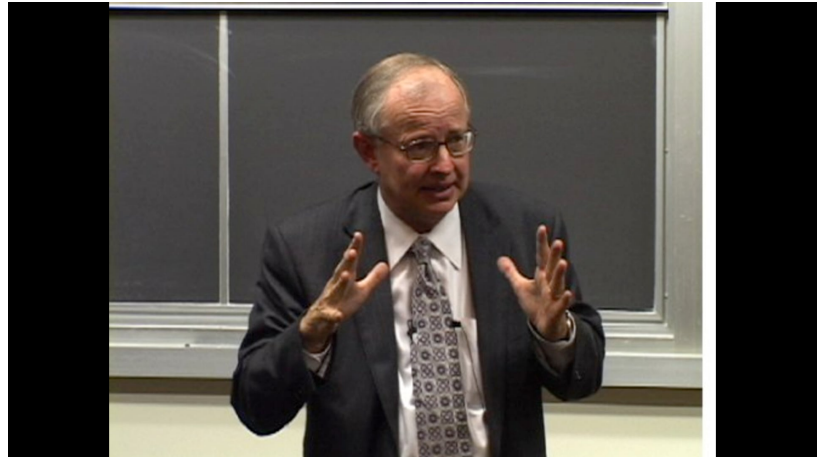


URL: <https://stvp.stanford.edu/blog/videos/make-money-by-spending-less>

When the cost of doing business grew out of hand - elevating to 19 percent in 2006 - Ken Wilcox, Silicon Valley Bank's CEO, reeled it in. By squeezing vendors, outsourcing labor and services, and removing unnecessary steps from business processes when it makes sense to do so, he managed to lower the rise of corporate expenses to just two percent in a single year.



Transcript

The last thing we have done is the most mundane of all and I won't spend much time on it.. It's a recent discovery of mine, and that is that you can actually make more money by spending less.. Now, we have never been focused on expenses.. We've always been focused on revenues, but our expenses got a little bit out of hand.. We grew them by a full 19 % in 2006.. And in corporate terms, that's astronomical.. So we figured out that you can actually make more money by spending less.. And what we did was, in 2006, because of Sarbanes-Oxley and because of all the increased accounting regulations and standards, we are actually paying \$17,000 per employee to the Big Four.. Isn't that amazing? That's the cost of compliance.. That's a huge amount of money..

That's the death now for corporate America in my view because we'll soon become a country that is good at compliance and everybody else will be good at innovation.. So we spent a lot of time in this last year, kind of, trying to figure out how to save money.. And we do it in three ways.. One is we squeeze our vendors.. We walk up to every accountant that we see and we grab them by the belt and yank until they turn purple and their wallet pops right out of their suit coat.. And then we also focus on trying to do things that have less to do with the direct interface with clients, outsourcing those things to people who can do them less expensively and that has been a big boon for us.. And then the other thing we have done is focus on taking the unnecessary steps out of business processes.. And we found out that over the years, business processes expand without you're being aware that they're doing it in redundant ways.. People just, you know, add steps here, there, and everywhere.. And presently, they forgot why they are doing them, but they keep doing them by rote..

And so we've made a lot.. Our expenses are actually by only 2 % instead of 19 % as we had the year before...