

Bank Decision-Making: Sweden or Texas?

by Charles B. Wendel

Over dinner, a Latin American friend who has worked for many international companies was bemoaning the approach of his present employer, a Swedish company. His issue had nothing to do with salary, benefits, or similar areas. The company's decision-making process was torturous.

"You know how Swedes are right?, he asked. Not wanting to fall into a stereotype I mentioned that I knew they were neutral during World War II. Showing his frustration, he commented, "Yes, they like to be neutral about everything. They hate making decisions that would offend some group within the company, so they take forever to make a decision, and the decisions they make are often not the best for the company because they are trying to placate their internal constituencies. The customer is almost an afterthought."

I could not help thinking, "Are all banks Swedish?" Many, but not all fortunately.

My friend went on to contrast his current employer with his previous time working for a Texas-based company. "The guy who ran it would bring a small group together for a set period of time. People presented their different perspectives and then he decided. Period." I've worked for non-banks that follow a similar approach. The positives of doing this are apparent, but negatives also exist. Strong leaders sometimes go down the wrong path and need to be pulled back before taking their companies over the edge.

Banks tend to be Swedish for multiple reasons, including:

- The type of people who want to work there
- Regulatory and compliance environment
- Silo structures that often dominate
- Limited tolerance for experimentation and even less tolerance for "creative failures"
- Promotions based on tenure and "keeping your head down"
- The gap between top management saying they want to be challenged and the acquiescence many prefer in reality

In my friend's view, "Texans":

- Speak up and commit to their views
- Suffer fools badly
- Are willing to "speak truth to power"
- Expect to drive to a conclusion rather than to another meeting

But being Texan can get you fired at a bank for being insubordinate, not with the program, or telling the Emperor he (and, increasingly, she) has no clothes.

Reality and culture limit the degree to which most banks can become more Texan, but actively pushing back at the cumbersome decision-making process that complicates and slows processes and leads to suboptimal choices needs reconsideration ASAP.

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FIC works with senior management and Boards on issues that are critical for a bank's sustainability and growth. We emphasize practical solutions that we customize to a company's capabilities and culture. Reach FIC at cwendel@ficinc.com.