Banking Nightmares

by Charles Wendel

In true guy fashion, when watching TV I like to flip from one channel to another, searching for the always elusive ultimate program. However, there is one set of programs I find fascinating: Kitchen Nightmares with the always-profane Gordon Ramsey, Restaurant: Impossible with Robert Irvine, and Bar Rescue with Jon Taffer. These series cause me to stop to see what these experts are dealing with. All of them operate as consultants dealing with booze or food rather than bankers, but the situations they address, their approach to problem solving, and the type of recommendations they provide seem uncannily appropriate to banks.

When initially introduced to the restaurant, bar, or hotel under inspection these three diagnose the situation and quickly develop a game plan. Typically, they find outdated approaches, poor management, uninspired staff, internal dysfunction, lack of understanding of profit dynamics, among other problems. Irvine and Taffer will supplement their own experience by bring in hands-on expertise in areas such as design, construction, cooking, and mixology. Their team allows them to make specific recommendations quickly that can be implemented if management follows through…that's a big if.

Time and in some cases money pressures intensify the effort. While the shows all last 60 minutes, the protagonists seemingly (with some pre-show preparation) have only a few days or at most a week to turnaround a crisis situation. That is one reason "converting" an often-intransigent owner plays a critical role in the change process. Breaking down the owner's mindset is step one and some episodes show failure in this area.

What are some of the success factors these programs identify?

Consistency- "Consistency is so important! If you're not consistent, you won't be successful" says Jon Taffer. "If there's one thing I respect, it's consistency," comments Gordon Ramsey. Yet banks continue to allow many individuals to determine their own jobs. For example, at one bank we know established rules for the size of loans different bankers handle can be ignored by bankers based upon their personal preferences. This results in credit write-ups that can be insufficient and leads to decision backlogs and customer frustration.

Simplify. A review of menus often results in shrinking them, as these experts emphasize doing fewer things well. Banks continue to suffer from product proliferation with product groups sometimes creating new offers without input from the field. Banks need to shrink their product set.

Teaming. The nature of a restaurant or bar is that its operation demands teamwork. A star or solo mentality undermines the customer's experience. Banks need to continue to emphasize teaming and destroy the silos that dominate many banks. Relationship planning should become second nature.

People. Sometimes these experts highlight the need to fire a bartender, manager, or chef. Staff needs to be both onboard culturally and also have the requisite skill set. Owners need to deal with difficult personnel situations that may require moving out a friend or long-time employee. Tenure cannot be allowed when survival is at risk. This is a fact that banks often ignore. Many banks shift failed employees from one position to another rather than making the appropriate exit decision. They *may* be doing the employees a favor but the bank burdens itself with a heavy weight.

Leadership: Act Like an Owner. In many cases the owners featured on these shows have given up or become reactive in the face of day-to-day challenges. Ramsey, Irvine, and Taffer challenge an owner to step up, engage fully, confront past mistakes, and make the necessary decisions required for successful change. Today, more than ever, bankers appear reticent to make decisions in which they stick their necks out, even for good reason. Many bankers think no decision serves them better than the risk of making a wrong decision. Leadership is often in short supply.

Follow through. "You can have an opinion and be stubborn, but if you follow the plan that's set out in place for you, by me, you will succeed," commented Irvine to one owner. Banks often start to travel down a path and, then three to six months later change direction in light of execution difficulties or internal resistance. Many fail to follow through. Perhaps even worse we have seen instances in which banks assess their success at implementing change and give themselves high marks despite their actual performance. Change within a bank takes time and requires commitment.

Technology. As part of their solution, these experts upgrade technology, providing POS systems and other tools to manage workflow and track performance. However, they introduce these tools only after they address organizational, personnel, and other more fundamental issues. Importantly, these tools, once introduced, are not optional. Everyone has to use them if they are to work at the restaurant or bar. Some bankers are still allowed to choose if they wish to opt into using sales management and similar technology, an unacceptable approach for success.

Metrics. Each of these experts focuses on the numbers. How much are food costs? Which dishes have the highest profit margins? How well does management know its break even per seat? This requirement carries over perfectly to banking where profitability of products and business lines should be essential knowledge but is frequently unknown. Too many restaurant owners fail to know the numbers; too many bankers are innumerate.

"My work is done." Jon Taffer often ends his episodes with that catch phase right before he exits. He has set up the bar for success but then he leaves, not to return. That's understandable as each show needs to go on to the next story. Unfortunately, too often the same situation occurs with bank consulting. Making the recommendations and creating an implementation plan also sets up a bank for success. However, these recommendations are the beginning of a change process, one that will take months or

years to become part of a company's fabric. Our view is that banks should continue to retain a consultant's involvement on a very part-time basis once the big project has been completed. The consultant's role shifts to evaluating progress, highlighting roadblocks and communicating directly with top management, as necessary to ensure that recommended changes actually take place.

These restaurant rescues benefit from an intensity that seldom exists within a bank. Owners know or come to realize that their back is against the wall and act accordingly. Bankers would benefit from operating with a similar sense of urgency and a willingness to act based upon an outsider's targeted expertise that provides clear recommendations and paths to profit, just what most banks need.