Coronavirus: Four Takeaways

by Charles B. Wendel

A Tuesday news story reports that according to the Small Business Administration banks with less than $10 billion in assets issued about 60% of loans in the first round of the PPP. More big banks got their act together during the second round. In recent weeks as we've talked with banks from a cross section of asset sizes, four themes keep coming up. Developing these approaches will continue to be critical as banks move back to a more "normal" operating environment.

Decisions were made at the top. Most banks pride themselves on a Byzantine review and approval structure. Many people carry a big NO stamp, but no one person says yes. It's a classic CYA approach meant to protect individuals from finger pointing if a decision works out badly.

Banks did not have the time to put issues related to PPP through the same torturous process. Those that did, some of the biggest banks, failed their customers. The article mentions several of the biggest banks as being unable or unwilling to respond to client needs.

Imagine: *In the future banks operate with a more streamlined decision process.* Pre-virus too many people got involved in decision making and often the person who sways the group is not the best informed but the loudest, not necessarily in volume but in intensity of opinion. PPP proves you can eliminate a lot of low value input into decision-making and when top management wants to get things done.

Collaborative. Years ago when FIC worked for a smaller bank we were surprised to find that this bank's internal silos were every bit as prevalent as at much bigger banks, with virtual walls constraining cooperation between units. Since then we have seen many times that just because a bank is small does not mean the bank operates with greater cooperation between units. Turf battles appear everywhere.

The banks that proved themselves during the PPP process broke down whatever walls existed and created a "one bank" effort that became reality rather than the typical PR gloss. They insisted on a work culture that was solution oriented and not objection oriented. By "objection oriented" I mean those bank personnel, often but not always staff, who demonstrate an ability to raise objections but an underdeveloped ability to provide solutions to overcome them. Compliance and Legal have long perfected this approach, but this time in response to customer need and management directive, line and support groups collaborated toward an end goal.

Imagine: No more silo mentality. Believe me, they are already building up again. PPP served as an exceptional event not the norm. Top management needs to make it so.

Work in parallel, not serially. Bankers manage risk. Their natural propensity drives them to move in a straight line, addressing individual issues rather than going down multiple paths at once. Agility became the norm for those banks that wanted to provide PPP to customers. Many also resist partnering in third parties, demanding a Fintech run the gauntlet of screening criteria that eliminates some good companies and slows down the rest. Again, too many people in the decision process and silos take over. Companies like M&T with Blend and many banks with Numerated broke the serial mindset, allowing them to show their value to customers.

Imagine: Agility as a permanent operating philosophy and a proactive approach to facilitating the use of Fintechs and other vendors.

People power. I have spoken to several banks that gained market share because their big bank banker was AWOL when a customer tried to contact them for PPP. Smaller banks benefited from this, as suggested by the head of one community bank: "We had a huge influx of new customers coming to us from the bigger banks, especially in round one," said Jim Engel, president and CEO of Aquesta Bank in Charlotte, N.C.

Leveraging technology, breaking silos, streamlining decisions were all critical to bank's success with PPP. An even bigger factor may have been communications, bankers providing transparency about the status of loan requests. While fundamental and basic, many banks failed to provide counsel to their customers. Those bankers that did have built trust.

Imagine: *Bankers proving themselves as trusted advi*sors versus banks just running ads claiming they are. This unsettled period provides that opportunity.

Using Zoom or Microsoft Teams, we have been working on these and related issues. Despite uncertainty and in fact <u>because</u> *of it, banks and credit unions need to focus on the future as they manage current portfolios and changing customer expectations.*