

Coronavirus and Banking: Questions, No Answers Yet

by Charles B. Wendel

At this point, bankers have lots of questions and few answers related to the virus's impact or at least few answers with any degree of confidence concerning their correctness. Asking questions and working together to develop tentative responses on critical issues provides essential value to management as it designs its path forward.

All financial institutions (FIs) should be addressing questions related to:

- Employee management (Where? How? How many?)
- The branch and other office real estate
- The customer (both consumer and business) and how they want to bank and what they will expect from an FI going forward
- Business focus, that is, does the virus change the long-term attractiveness of industry specializations (e.g., franchise and dentists) or areas of loan focus (CRE)
- Technology (Where to invest? Which partners? Priorities? Timing?)
- Risk (What have been the surprises? How does the risk focus need to change?)
- Overall business management (streamline cumbersome processes, eliminate non-essential compliance)
- Scenario planning cuts across all the above areas

These categories do not capture all the topics requiring attention, but provide a start, some bite-sized pieces to evaluate. Over the next weeks, we will highlight some of the questions to be considered in each area. (Some overlap exists between these topics.) Feel free to suggest other critical questions or areas of focus.

How can bankers address these and related issues while continuing to run their banks, keep employees safe, meet loan needs through complex PPP and Main Street programs, uncover emerging loan issues, and, despite all these challenges, determine their future path to profit and growth? Currently, management is putting out fires and most of the banks we know are operating without a coherent approach for considering future issues, a future that could change in weeks or months, requiring any "answers" be flexible and subject to change.

The FIs that have come through this event the best so far did so through the effort and good will of their employees, whether hourly staff or management. Employees need to be the starting point, the foundation for everything else. That's why we start the planning for the post-coronavirus world with them front and center.

Following is an initial list of questions that companies should customize to themselves related to the post-pandemic employee management process. First, management should want to capture their employees' perspectives rather than assume it know their views.

- How do employees (in various areas) feel right now about their employer (you)?
- Do they believe the company supported them effectively and with concern during the crisis, or did they feel abandoned by management?
Note: Some did feel abandoned while others were delighted.
- What are their worries for the future? How would they like management to support them differently if another stay at home event occurs?

Note: FIs should make clear they have a no layoff policy for 2020. 2021 may be another story.

- Bankers working from home have become the norm for most FIs. What are the key lessons learned? What has worked well? Where have the problems occurred? What needs to change to make the shift easier the next time?
- Note: Senior management may think everything worked great; people actually doing the work may disagree.

As with any project, the above questions help to establish the fact base. Once you assess recent performance, the questions change their focus:

- Is at-home work now permanent? For which employees? M-F or part of the week? What support do they need to work at home? If you use split shifts in the office, how will that work? Do you assume a vaccine exists by early 2021, so you require a temporary solution or not?
Note: Some banks currently forbid Zoom meetings. OK, but what options are you providing? Some banks do not want printing capabilities for business PCs at home, but sometimes docs may need to be printed. The bank's IT and compliance groups may be right to raise objections, but they need to be proactive in providing a solution; the "Dr. Nos" in support groups need to become agile problem solvers not just quick problem identifiers.
- What needs to be the ongoing supervisory process for employees who never or seldom come to the office? How can privacy and "Big Brother" concerns be solved?
- Culture serves as a key differentiator between banks. How can an FI's culture be maintained with a distributed set of employees?
- More people working at home may impact the type of employee hired (potentially including more women and men with young children, the disabled, and others that need to or prefer to be at home. This could be a great opportunity for employers and for bringing more quality people to the work force. How can employers reach these people more proactively?
- Several circumstances will result in companies reducing the number of employees in 2021, including expense pressures, limited growth opportunities, increased losses, and the efficiency impact of IT spends to digitalize the application, customer service, reporting, risk assessment, and other functions. Management should begin to plot out the areas of personnel (and real estate) cost savings now, so that any people cuts are surgical in nature.

No banks or credit unions will be surprised that some big consultants and IT firms want to exploit this crisis to get FIs to abandon their present operating models and redesign themselves from ground up, radical reinvention rather than incremental change. And they are there to help! Radical reinvention sounds great, but requires a clean white board rather than the situation management faces today, trying to navigate through a dense jungle where no one knows what the next bend in the road may bring. Is it a clear path and sunshine? Unlikely. Quicksand? Maybe. We are all guessing.

And, now here's *my* pitch for consultants and advisors. To bring together the necessary "facts" on these and related issues, to reach some sort of consensus rather than what often happens letting the highest title or loudest speaker dominate, to agree on and execute a plan addressing these issues, management needs the perspective, independence, and focus that an outside advisor offers. Of course, management of most banks and credit unions will decide to avoid these hard topics or to go it alone. That's a mistake. You know that.

Regarding ongoing employee management, with planning beforehand, well-structured Zoom meetings (or whatever the preferred technology) can help to clarify options and determine the optimal path forward.