Cutting Through the Crap

by Charles Wendel

Like you, I am inundated with emails providing daily business news information as well as "news" from firms such as BCG, McKinsey, and accounting firms that often state the obvious and always include a problem solution and a sometimes not so subtle pitch for services. (Of course some of my readers might include this email in that same category). But, we all need to remember that, at its core when done well, banking is a simple business that needs to follow some simple rules. Here are three of them.

Fire the mediocre. Whenever I ask a client to discuss the quality of their sales-related employees, the response is usually as follows: about 20% are excellent , another 30-50% are in the middle range, and at least 20-30% are missing their goals by a wide margin. Performance metrics back up those estimates.

That failing group of 20-30% has got to go. Most have already been trained and mentored to little effect. So, why keep these value destroyers who often clog up the credit approval process with bad deals and fail to deliver on managing the client relationship? Over the years I have heard most every excuse for not acting ASAP:

- "The competition in the job market is so tight that we will not be able to replace them. Better we keep them, than have no one."
- " There is a job freeze. If we cut people, we may not be allowed to replace them."
- " We think the Team Leaders [or new leadership] can bring them along."
- " Many of them have received strong reviews in the past; we need to create a paper trail."

The list of reasons/excuses is long and never ending, but the fact is that many of your bankers and Team Leaders are holding your institution back from greater success. One banker who did exit a group of poor performers marveled that the result was higher productivity, lower operating expenses, and a renewed culture. Mediocre players can suck the energy out of an institution. Top management usually knows who its mediocre "leaders" are, but too often fails to act. The fact is that most banks can continue to survive (but not thrive) with mediocre people, and too often management puts off these types of personnel decisions or "punts" until it becomes someone else's problem.

Last week Wells Fargo announced that they were consolidating their organizational structure and eliminating some senior managers. More banks need to consider whether they would operate not just more efficiently but more **effectively** with fewer staff, particularly at the senior levels. Beyond addressing sales staff, too often support staff create too many barnacles rather than support.

Implement SOS. MANY years ago I ran a project at the heritage Wachovia Bank (with Norwest, two of the best banks ever.) One of the bankers came up with the acronym SOS to describe the process that the bank had embarked on. He even bought boxes of SOS for team members to display on their desks. Addressing the opportunities from SOS are as relevant today as they were 20 years ago: **S**hift/**O**utsource/**S**top.

*Shif*t. This step is so apparent that it should be a non-issue, but it remains a critical stumbling block to productivity and an enhanced customer experience. Line bankers should be focused on high priority, customer-oriented activities. Duh! Yet today, despite this obvious step, banks and Team Leaders are spending up to 50% or more of their time on activities that could be moved to other groups or people. Yes, there are increased compliance and regulatory requirements that take up time, but in many cases senior management has failed in getting Team Leaders and line bankers to follow their job descriptions and process maps. Consistency and discipline is more the exception than the norm at many banks.

Why are many banks so poor at executing on this critical area? I have heard senior bankers blame a lot of other people rather than themselves for this problem. We all hate to be the bad guy and often do all we can to avoid conflict. Frankly (and in my own self interest), this is an area in which consultants can add value, providing the fact base and forward momentum for action that might not occur otherwise. Someone else can be the bad guy.

Outsource. Fintechs provide financial institutions with a seemingly unlimited opportunity to lever the expertise of third parties. Now, as a matter of course, banks and credit unions should look to vendor offers before launching new technology or products on their own. As a priority, they should exploit Fintech solutions tied to meeting time intensive regulatory requirements.

Stop. How often do bankers question the value and necessity of what they are doing? Increasingly, banks operate with a belt and suspenders and duct tape mentality. Some of that has been encourage by regulators but much of this complexity results from out of control internal compliance personnel and a senior management team that does not sufficiently question or push back.

Here is an easy one: stop the unnecessary meetings. What percentage of meetings are either unnecessary or can be limited in frequency or time required? Most bankers would say more that 25% of them.

Answer The Basic Question. Does the CEO of the bank or a business line actually know what his direct reports do all day? Is that what he/she wants them to do? Avoiding this question and/or not acting on the answer jeopardizes a bank's performance.

As always, leadership and execution tell the tale. And the unwillingness of leaders to lead and to execute rigorously remains the major reason why advisors and consultants continue to push “new” solutions rather than dealing with the fundamentals that will just not go away.