**Don't Sell, Grow**

by Charles B. Wendel

Last weeks' newsletter discussed factors that may lead some banks to decide that now is a good time to sell. Those factors include: reduced interest rate margin, increased credit losses, the potential need for new capital, costs related to the virus, the changing role of the branch, and several others. One friend commented that I had presented a checklist of despair.

But, while some banks should look at themselves in their corporate mirrors and say "enough," other banks can seize the changing environment as an opportunity to gain share and grow. What marks a bank not just as a survivor but as a winner going forward? Here are some signposts for future success.

**PPP activity**. Some banks we know showed their ability to move quickly and provide their customers with value during the PPP loan program. That was very good. Fewer banks used it as a new business opportunity, providing loans to companies that felt abandoned or ignored by their banks, often among the largest banks. That's extraordinary, and a great sign that those banks have a growth mentality despite a crisis. On the other extreme, I know a small business owner in western Massachusetts who went to her community bank for a PPP loan and was told they did not offer it. Nor, did they suggest what she should do to get a loan. That bank deserves to fade away, and probably will.

**Strategy, remember that?** Last week's newsletter quotes my 20 year old interview with Dick Kovacevich when he was the head of Norwest, one of the best banks I ever worked with as a consultant. He asked, "What business are you in?" Many banks don't know or lie to themselves and their stakeholders concerning the answer. Banks that can articulate a coherent 15-second elevator pitch that mentions specific segments or capabilities will be winners. If all you offer is a pablum-like customer service experience, it may be time to close up.

**Management energy**. You don't need me to tell you that the current banking environment is unlike any we have ever seen. Further, "nobody knows nothing," meaning none of us can be sure what the next months will bring whether it is a vaccine or Elizabeth Warren as VP or Secretary of the Treasury. The list of unknowns related to the economy, your employees, your customers, and multiple other areas requires scenario planning and an ability to pivot as circumstances and opportunities change. Flexibility is not an option. If management and the BOD immediately get a migraine when these issues come up and instead express the hope that things will return to "normal," that's a problem. Banks with big portfolio problems also have limited ability to pivot anywhere.

I know a few banks where management sees an opportunity to grow while many others are currently imitating hedgehogs. Banks positioned to grow have portfolios that are holding up, see competitors as increasingly internally focused, and even in this environment are having their prospect calls returned.

**Limited internal bureaucracy**. I've worked for clients in which getting through the upfront vendor management process provided a bigger challenge that actually doing the project. And, to what purpose? Banks that can make decisions quickly have a major advantage over those where checkers check checkers. Everyone has to play within the rules, for sure, but no need exists for suspenders, belt, ands duct tape. BTW, some of banks that proclaim how much they love small businesses are the most difficult for a small business to deal with. In the new environment, bureaucracy needs to be reduced.

**Notice what's not here? Digital**. IT firms and many consultants make their livings by pimping one solution after another, all of which require big investments in technology and support services. Today the end all and be all solution is digital everything. Now, of course, leveraging digital technology both in the back office and for customer interaction is critical to reduce costs and maintain customer relationship. But, to many customers one digital offer is the same as another. The irony may be that after all the necessary investment in digital applications, mobile customer service, and other areas, digital becomes a commodity in the customers' eyes.

The differentiator then becomes your bankers and how they interact with your customers; remember them? Banks that continue to invest in, pay, and, yes, celebrate their revenue producers will be the winners long term.

I see a chasm in the attitude expressed by bankers today, ranging from "Woe is Me" to "Let's Go!" Guess which one wins.