Hire the Banker, Not the Bank

by Charles Wendel

Well over a decade ago, FIC consulted with Laurentian Bank of Canada, a business bank based in Quebec. At that point they had a tagline, “Hire the banker, not the bank.” Today, most banks would avoid that approach, but some of the most successful banks, whether they proclaim it or not, follow that philosophy. More banks than ever, however, seem to want to eliminate the personal element that distinguishes one bank from another, relying instead on digital interfaces and AI while diminishing the role of Relationship Managers and branch personnel and, in many cases, customer service.

A focus on “Hiring the banker, not the bank,” requires bank management to offer a quality solutions set provided by a banker or group of bankers who, in the best sense of the word, “own” the customer relationship. The combination of solutions and banker creates an offer that most banks cannot or will not match. Most banks lack the leadership and staff to be competitive in an increasingly digital world. As for getting the best bankers, many CEOs simply won’t approve the type of incentive plans required to attract and retain top bankers, even though the majority of their compensation will depend upon a banker’s individual or team results. Generating dollars for the bank is a precondition of generating dollars for the banker. And, BTW, credit decisions are not made by these RMs, eliminating that conflict.

Last week I wrote about the phenomenal event that Frank Lourensco and Andy Parton held at the old Chemical Bank to celebrate the Dodgers winning the 1955 World Series. Several bankers responded to that piece by mentioning that, at least in New York, banks had distinct personalities; that’s true. Banks had distinct styles, and the bankers at one place were not interchangeable with another bank. Customers knew that too.

I started my banking career at Citibank. At that time Citibankers thought of themselves as the smartest and most creative bankers, and, to quote Larry David, in fact we were all “pretty, pretty good.” When I got hired there, I believed I was joining the best NY bank, at least for me. J.P.Morgan was not in the cards. Graduating from business school we all viewed J.P. Morgan as part of the upper caste. They were blue blood bankers who could maneuver an international deal or a wine list. After all I had grown up in Brooklyn when it was really Brooklyn rather than what much of it is today.

Most of Citibank’s competitors and some clients thought we were an arrogant and obnoxious group and too full of ourselves. Probably right. People I speak with at Citi today suggest that attitude hasn’t changed much, except the reason for self-confidence and arrogance has long disappeared. Other banks also had their own distinct reputations. For example, Manny Hanny was, well, Irish and friendly. And, no names, but some banks had the reputation of employing the dregs of the profession, dumb people. The ones I can name have all disappeared.

I know two banks that, historically, have pursued the “hire the banker” approach. One continues to do so while the other seems to have drifted toward homogenization and undercutting the banker’s predominate role. The bank continuing with that model appears to be on an upward trend even in this weird economy. That bank hands responsibility for the relationship to the banker, not in a careless way, but based upon the banker's established experience with clients. That bank's support personnel actually do provide support to and have not built a huge internal bureaucracy. Two results: lower operating expense and empowered employees.

The second bank runs with about twice the operating expense ratio versus the other player. Productivity is not what it needs to be as its economic burden results from its overhead structure and entrenched decision-making bureaucracy. Part of the solution involves more streamlined processes, fewer people making decisions, and the introduction of digital capabilities that can reduce transaction and operational costs, allowing bankers to spend more time with clients. But, over the years, at that bank support staff may have managed a coup of sorts over the line, whereby, the line has to jump through multiple internal hurdles as they strive to serve customer needs.

Regulators, IT firms, and big consultancies all push banker homogenization, but my bet is that those banks and Fintechs that can deliver to customers while maintaining their style and personality (in reality and not just PR BS) will remain winners. Otherwise, the commoditization of much of the banking industry will continue to erode returns.