Human Before Digital, But End Paternalism
by Charles Wendel

It wasn't the 20-minute wait for the one TD teller working at a branch in Miami that bothered me. After all, it was the day after July 4th and staffing levels were understandably low. What did bother me was, glancing at the deposit slip as I was walking out of the branch, I saw the deposit credited was for $2,000. In fact the check deposited was 10X more at $20,000, a BIG error. BTW, the teller apologized for the long wait, not the $18,000 error. Instead she commented, "Good catch."

All the technology in the world will not make up for poor employees. And, too often, we encounter the mediocre employee who fails the customer and the bank. Months ago I wrote about having to deal with nine different people at Citibank to get an account error (not of my making) resolved. During that experience, I was disconnected three times, several of the nine staff, in my view, spoke rudimentary English, and no one asked for my number in case we got cut off.

Today, appropriately, we are putting increased focus on all things digital. The digital revolution is real and happening now and making that transition successful is critical to the long term well bring of the industry and individual banks. But, there may be an increasing gap and disconnect between the digital promise and today's reality. If the front line employees are not both well trained and committed to an excellent customer experience, technology may have a limited impact. If processes and technology are not supporting employees today, why should a customer trust a bank to be their digital provider versus companies that are not held back by old technology?

At the recent Source Media Digital Lending Conference where I was a speaker, I took the opportunity to attend multiple sessions. Two impressed me for different reasons. One featured a robot able to answer a few questions. Mainly, it reminded me of the old TV show *Lost in Space*, rather than the current *Westworld* with its perfect human replicas. The robot seemed appropriate for being featured at a party, not a branch. Note to bank: if you have a robot in Miami, it needs to speak Spanish, just like most customers.

Umpqua Bank's President also spoke. This bank's leaders can talk with authority about providing good customer service and ensuring that, as the bank transitions to a digital focus, its emphasis on providing a quality customer experience will not falter. For years it has hired good "analog" employees who should be secure in their jobs, and its emphasis on providing a strong customer experience seems to permeate the bank.

Question: If a bank offers, at best mediocre customer service today, why will digital change the quality of the customer experience? If a bank needs to cut out its employees to provide better quality service (for example, with a robot) what does that say about the value its employees provide?

Some banks view digital as the new "secret sauce," just as previous banking generations saw reengineering, total quality management, Six Sigma, and many other consultant-fueled initiatives as the path to the golden land.

But this time is *not* different, and, prior to success with digital, banks need to address many of the same issues they have long been avoiding. Let's start with people. Years ago we did a project for a client that resulted in our suggesting the client move from a current business focus on small dollar lending to more of a mid-market focus. Part of our recommendations included the view that, while the two businesses were related, the skill base required for the bankers was sufficiently different that it would be a mistake to try to retrofit those bankers for the "new" area. And, frankly, most of those bankers had not been that successful in their prior positions.

The bank, being both paternalistic and way too patient, kept those employees and switched them over to the new area. A year later, guess what? Most, if not all, had to be replaced.

The Fintechs we know will exit employees quickly if they believe that employee cannot do the job. Their investors are often impatient, and the leaders of these companies believe that poor employees are undercutting their chance for success…and they are. Bankers may exit an employee, but too many use HR as an excuse for delays rather than being proactive.

Also years ago, I remember another senior banker who said he did not want to exit an employee because his bank had a job freeze on, and he felt he would not be able to replace that employee if he left. His view was that it was better to have a mediocre employee than none. Years later, when the economy turned, I had another conversation with that same banker about upgrading personnel. This time his response was that competition for employees was fierce, and he was concerned that he could not find a replacement for his mediocre employees. In his mind there was always a reason not to act.

Businesses succeed based upon the strength of the lowest level of the work pyramid. Banks need good customer service personnel and strong analysts. The tellers provide leverage to the lower level managers who provide leverage to the branch mangers who provide leverage to regional leaders…and so forth. When the lower level sales or service person does a poor job, the pyramid collapses.

Banks are rightly focusing on the new digital world, but management also needs to take a pause and consider if its current organization, processes, and people are the ones to take it to a new direction. This is a tough issue, but one that should not be avoided.