"Just Do It" Is Not Realistic

by Charles Wendel

In my last newsletter I wrote: "Most bankers know what they should do; they just do not want to do it." On reflection, both parts of that statement are simplistic and inaccurate.

"Most bankers know what they should do." Strategic decisions, the tactics supporting them, and related choices faced by bankers are both numerous and increasing. And, oftentimes, the near-term tactical get precedence over the longer-term strategic choices. For example, the need for a "digital offer" may drive immediate action versus determining more fundamental segment, risk appetite, and organizational issues. But, that's the way things work at many banks and credit unions.

In many cases, faced with unfamiliar IT and digital providers, a customer base whose requirements are rapidly changing, and, too often, a strong internal focus on costs and regulators, many bankers do not know what the right priorities are or which action paths will have the greatest positive impact. Bankers need to be thoughtful, balancing the customer experience with a cost/benefit analysis as well as their understandable concern about their own careers.

In the small business lending space alone, management needs to address dozens of questions, which include issues tied to strategy, tactics, the internal bank organization, compensation, among other areas. What follows is just a small sampling of the required self-examination:

Strategy and tactics

- Is our business approach and software platform sufficient for future success?
- What should be our key goals? Lower costs? Greater revenues? Improved customer experience? While one answer may be "all on the above" priorities have to be set and internal consensus reached.

Evaluating IT options

- Should we develop our own SW to improve the customer experience?
- Can we work with a provider who allows us to lever our existing data and pursue a DIY approach?
- Should we rely on a module from our core provider or go outside to the third party SaaS route?
- Which SaaS provider offers the best customer experience and best fits with current IT?
- How do we make sure they are around for the long term? What is the impact on our customers if the vendor disappears?
- What outsourcing does the SaaS itself do and what is the quality of those vendors?

- Alternatively, do we want to integrate with a partner who both provides a digital experience for our customers and will consider lending to customers that do not fit our criteria while allowing us to maintain control of the relationship?
- Do we want a partner who excels at one functional capability (e.g., digital origination), one business areas (e.g., small business) or can serve multiple business segments?

Reputation risk

- How do we find out "off the record" background about the potential partner? (This is a critical area that often needs greater focus. We know of banks that have teamed up with partners at the same time as some of the vendor's key employees are looking to leave. Bankers need to go outside their own org and expand their information network to complete their due diligence assessment of a possible vendor/partner. Unfortunately, pride and hubris often create a barrier to effective due diligence and optimal decision making.)
- How do I know my "partner" will not hurt my bank's reputation and result in Elizabeth Warren calling?

Internal consensus

- Are my colleagues in line or are some in disagreement with me? And will they express that or smile me to death?

Similar questions exist in consumer, mortgage, and wealth areas, among others.

Internal considerations and information overload only makes the decision process and consensus building more difficult. Bankers could spend their day reading emails from multiple firms with their latest "innovation" and IT firms offering white papers stressing how they can provide a differentiating solution. Any remaining time could be spent attending free webinars provided by these and similar vendors.

Given all this, it cannot be a surprise that bank management often goes through a painfully slow decision process that often lacks boldness or a sustainable strategic benefit.

They just do not want to do it. In fact, bankers do want to act, but they want to make the best choice given the circumstances in which they operate. Pressures and constraints include regulatory concerns, budget constraints, CEO and Board directives, internal silos, and many more.

Bankers often state that "improving the customer experience" drive their decisions. While most bankers want to improve life for the customer, other practical and, if truth be told, sometimes higher priority issues factor into the decisions made.

Making and then implementing a decision may be viewed as requiring a banker to step carefully through a landmine of internal and external traps rather than an

opportunity to be bold and innovative. As one banker commented to me years ago, the processes within his bank made it an "innovation killing machine."

So, what to do?

Create small decision making teams rather than large ones. Yes, many bank activities need to incorporate the views of more than a dozen different functions. Any list I attempt to create would miss several areas that may be critical to a particular bank. Also, more functions are popping up (e.g., cybersecurity) as the world evolves. Avoid 20+ people in a room trying to come to a solution on anything. A small steering committee can reach out to internal experts and gain their support and use a larger group meeting as a later stage revision and approval event rather than for "blue skying."

Lever the capabilities of an outside advisor. Banks do not need a team of overeager consultants with little practical experience and high billing rates. However, banks need and will benefit from an experienced outsider who can help with structuring the decision-making approach and provide confidential background information on potential vendors.

Agree to a timeframe. Many bank suffer from failing to agree on an end date by which they will make a decision, a sloppy and unproductive approach. You need to operate with a time line that encourages forward momentum and puts people's feet to the fire.

At the beginning, corral the necessary senior management. If the project is worth doing, senior management should be aligned with its goals and be participate in review meetings in order to grease the adoption of recommendations. If senior management does not care enough to be involved and committed to the path you are taking, drop or minimize your role in the project, as it is likely to fail.

More challenges than ever before exist for the banker who wants to pick a path and achieve effective implementation. Focus, organization, and project discipline provides the way forward.