

Note to Bankers: “You Can’t Stand the Truth!” by Charles B. Wendel

Last week I wrote a column about how a once prominent bank in effect [self-destructed](#). That column will be the first of several concerning how banks and finance companies of various sizes either have or are in the process of destroying themselves or at least disappearing soon. More to come as, unfortunately, there are many possible case examples.

But I am going to take a short detour. Last week’s newsletter generated more comments than usual (including from former employees of that unnamed bank). But one comment from a leader in the non-banking area stood out. Having worked with him he was kind enough to write: “I expect you are a valuable consultant because you don’t pull your punches. You always tell it like it is or at least, as you honestly see it after careful reflection.”

Nice words and I’d like to believe they’re true, but there’s one problem. Many bankers want a consultant to pull their punches. Some want affirmation from a consultant that their present moves are on the right track. After they receive positive feedback, then, they might consider some recommendations that take them in new directions, often marginal changes.

Why are banks so hesitant to listen to recommendations even from a “valuable consultant.”?

Start with me. Although I’ve been civilized by college and several graduate degrees, I grew up as a middle-class kid in a middle-class area of Brooklyn. (BTW, that area, Park Slope, no longer resembles my old neighborhood. It’s been transformed to Yuppiesville, a place where tofu and truffles have replaced red sauce Italian restaurants. And, while crime is a problem across NYC, more Park Slope injuries may occur due to pedestrians being hit by errant double strollers.)

Back then, decades ago, Brooklynners learned to be direct in how we communicated, unafraid of triggering the ultrasensitive. But as I entered the business world, in particular consulting, I learned to qualify my comments: for example, “This might be a problem” as opposed to “What the hell were you thinking, you dope?” Of course, some of the most successful consultants learn to “blow smoke” and stoke the business fantasies of clients versus confronting them. How else to explain instances like McKinsey’s working with CNN to develop a fee-based CNN streaming service while free CNN had ratings issues.

Certainly, as my children graduated and mortgages disappeared, my need to play that ugly game disappeared. Unfortunately, I know of consultants (and they know what they are) who, even though they have economic freedom, approach their clients with something like sycophancy. I’m not courageous, just debt free, and wanting to return to the comfort of my Brooklyn roots, not being insulting or confrontation, but just with less BS.

Most bank clients do not want to change. For many, change entails more risk than stasis does. Bluntly, some established (that is, older) bankers are waiting out their time and counting down the days until they can exit. Why should they take a risk that could threaten their internal status or long-term plans?

Senior banks are skilled at dismissing potential growth initiatives. While sometimes dismissing a recommendation makes sense, in many cases bankers will slam an idea without giving it full consideration.

The client comments I've heard include, "It won't move the needle," and "That won't work here." The fact is that few initiatives will move the revenue or profit needle dramatically. Those that do may require more of a risk appetite, such as moving into a new geography, introducing a new product, or changing pricing algorithms. "That won't work here" may reflect having tried a comparable approach a decade or more ago that for whatever reason failed. The long ago failure serves as an excuse for not reconsidering it.

Fintech execs act as leaders and owners; many bankers, even senior ones, view themselves as employees. This is a huge difference. Fintech owners operate as if they are playing with their own money. They are. In contrast, I've heard top bankers talk about *the bank they operate as* "them," seemingly not understanding that they are them.

Consultants, at least me today, yearn to find bank clients who express a commitment to change and act on it, rather than equivocate. Obviously, those leaders should push back on the consultant where they think necessary, but their focus on change remains. Many leaders talk change; few really act on their words.

FIC works with senior management and Boards on issues that are critical to a bank's sustainability and growth. We emphasize practical solutions that we customize to a company's capabilities and culture. Reach FIC at cwendel@ficinc.com.