Speed and Banking…That's Funny
by Charles B. Wendel

August 20, 2020 American Banker: "'There's a real premium on clock speed,'" said [Bruce] Van Saun, who is the chairman of the $180 billion-asset company [Citizens Financial]. "'It makes you think, if we were that good on [PPP], how can we extend that to many of the other things we're doing today?'" The article also quotes him as recognizing the opportunity that managing through a crisis offers both to the bank's culture and its customers: "You want to try to help those borrowers get through this time period, because they'll remember that. They'll become loyal customers for the next decade or decades." Absolutely true; customers will remember who helped them…and who did not.

Yes, the energy and customer focus that banks like Citizens evidenced during the PPP event should become embedded as part of the ongoing culture of a bank. But, will it? In most cases no. We heard a collective sighs of relief from more than one bank executive as the PPP program drew to an end. These bankers were pleased that PPP was over, the all-hands-on-deck requirement was gone, and they could return to their traditional, multi-layered, decision making process.

Why can't banks move quickly? Some of the reasons are systemic, and some are habitual.

Too many internal meetings. I thought that virtual offices might mean fewer and more effective meetings. I was wrong.

Poorly structured decision processes. I remember one project in which we were working with a client to select a Fintech partner for a certain business line. We suggested Compliance and Legal be included early in the process, but our client said something like, "That's not how it's done here." Only after several meetings was someone from the Compliance group included in meetings. That person immediately raised objectives killing the project. Having the right team in place earlier might have allowed the business line to mitigate Compliance's concerns, find a different partner that Compliance could approve, or terminate the project as quickly as possible, saving time and resources.

Compliance's role. There is no denying the need to address concerns of regulators and compliance personnel, but if Compliance acts as Dr. No it cripples the bank. I recently heard from a former banker now running a NFP. When I asked him if he missed banking, he emphasized that banking provided great training for running a business, but he did not miss the increasing regulations that bankers face.

Complacency. Banks continue to benefit from a privileged position provided them by the FDIC and their reputation for safety, if not creativity. But banks can fall into a complacent mindset, particularly now when some Fintechs are falling off to the side. The article reports, "Van Saun said he is less worried about competition from fintech upstarts. While the accelerating pace of digital adoption would seem to suggest an opening for challenger banks and online lenders, he said that banks have both the resources and tech know-how to handle any threats from insurgent Fintechs." Maybe. How do banks avoid complacency. The article quotes Van Saun that if banks "keep investing in the customer experience, providing advice and solutions that really work for their customers, then the customer has no reason to go anywhere else." That's a true statement, but a gap often exists between how banks think customers view them and key customer segments view their banks.

Talking into the Mirror. As a consultant, we provide independent analysis and recommendations based upon our understanding of the client, customer needs, market dynamics, competition, etc. Sometimes clients don't want to hear that. They may want decisions validated or pats on the back for half-measures completed rather than to be challenged to make significant change. Years ago, one client told me he had reviewed his bank's actions on recommendations another consultant had made, stating he thought the bank had done a great job. Subsequently, we were brought in to resolve some of its problems; that banker reviewing a prior project had seen what he wanted to see, not the harsher reality.

The key to speed. Bruce Van Saun can make things happen quickly. His Chairman position helps get his requests completed ASAP, but only if his people know he expects speed and will ask hard questions when it does not occur. But, I can think of two other Chairmen whose requests do not achieve the same result because their people don't take them seriously. No follow-through, just words.

Top management's challenge is to make speed to decision making and action a company's norm while maintaining a continued focus on quality. Not an easy task.

FIC works with clients on these and related issues. Continued uncertainty means financial institutions need to focus on their future performance and growth as they manage current portfolios and changing customer expectations.