**The Challenges of Change**
by Charles Wendel

Many areas exist in which banks should be exploring changing from current approaches. The customer experience, digital requirements, deposit challenges, and addressing non-bank competitive inroads in lending and payments are but a few of many areas demanding focus. But today the change process within banks is always slow and, frequently, torturous.

Too often banks seem to work hard to avoid recognizing the need for change. Once they do they then set up internal roadblocks for implementing changes. Bank management and Boards should be focusing on this organizational and cultural issue, but, bluntly, most are not.

Step One involves banks recognizing the need to change a current process, business model, and/or strategy. While to an outsider the need for change may be obvious, internal bank personnel have to travel a path that is long and with many turns to agree to the need for change.

Multiple factors cause a bank to avoid or delay the need to change:

- Internal personnel often have years of experience in a particular area. Entrenched employees may be comfortable with current approaches and see little reason to change what appears to be working, at least for today.
- From a career perspective the risk of recommending change may be more dangerous than continuing on a current path. Few banks have an appetite for new initiatives that may be worth trying but turn out to be failures. More than one banker has described his bank to me as an "innovation killing machine."
- Employees who see retirement just around the corner see little reason to take a change on a new initiative that could harm their legacy or, more important, pension.
- Change takes time and investment. Some banks neither want to spend the time nor the investment dollars.
- Bankers don't manage as if they are playing with their own money. I spoke with one bank executive recently who felt a major business head had demonstrated that he was not doing the job he had been hired to do. When I suggested that, based upon his experience, that banker should be replaced, he said it was too soon to take that step. He was unable to say what he expected to happen that would turnaround this employee. Contrast that with the attitude of some of the Fintechs I know and at which the execs are the owners. Employees not doing their jobs are gone quickly. They act like owners whose employees determine their own success. Banks need to end paternalism.

- And, another crippling factor centers on regulators and the way in which they weigh down banks and in some cases the extent to which banks allow themselves to be weighted by taking the most conservative stance. I recently overheard two 20 somethings on a bank escalator. Their conversation: "Was the Fed Ok with it? I heard the OCC was." They may have found the fast path to career success in banking today…compliance.

What circumstances help a bank see the need for change? Number one may be new leadership. Over a period of years I worked in the same business area of the same bank twice. The first time my client was the line of business head who had been in that position for 10+ years. The second time was for the new manager of that group who had been in that position just a few months.

It will be no surprise that the 10+year executive responded to recommendations with defensiveness. Conversely, the new manager was open to any and all ideas, as he was anxious to improve upon the past and quickly saw the need to do things differently. That manager turned around his business rather than avoiding what needed to be done.

The answer is not to change managers, although that should probably happen more often than it does. Some banks move managers every few years in what one exec called "muscle building." Meaty rather than rote strategic planning initiatives should push managers to "think different" about their businesses. Good consultants (yes, they exist) can bring an outsider's perspective, a non-political mindset, and insights from industry best practices to business and support group leaders.

Fundamentally, though, someone in the organization needs to push for change rather than allowing organization inertia to continue. Who? It can be a new manager wanting to prove his capabilities, a current manager meeting a performance challenge from a new boss, a Board considering a sale, a CEO or COO who continually reviews his business lines and looks for areas of improvement. The good news is that, once it gets underway, change builds momentum. If a manager needs to change his approach, so too do the people who work for her and so on down the line. That's great except the people who surface as barriers down the line need to be identified and converted or removed. The person pushing for change has to be at or near the trop of as line, support, or overall organization. Lower level employees can contribute ideas for change but lack the clout to get things done.

Change management processes are squishy, meaning they require artfulness rather than simply following a rulebook. As much as I like and use checklists, creating change requires more, as each individual looks at the challenges of change with their own backstory impacting their willingness and ability to change.

And, too much change can overwhelm an organization. The best leaders operate with an uncanny sense of timing and pick their spots, based upon their knowledge of the business and its personnel. Massive bank wide bank transformation efforts, while good for the bottom lines of big consulting firms, are disruptive and usually fail.

The recipe for change: high-level involvement, selectivity in focus, an economic imperative, and persistence.