The Relationship Manager: Business Critical or Dinosaur?
By Charles Wendel

Recounting stories of when I was a middle market relationship manager (RM) several decades (!) ago always results in something approaching shock and awe on the part of the banker audience. Why? I can remember arriving at my office before 8 A.M. and with colleagues (male) lighting up my first cigar of the day. On the more than occasional Friday lunchtime, "the boys" would head out to the local Italian restaurant for cocktails, wine, port, and more cigars. We would arrive back to the bank late in the afternoon and be greeted with smiles and some envy by our colleagues rather than being sent to rehab or disciplined immediately, as might happen today. And, yes, back then, Christmas parties resulted in next day hangovers and averted eyes.

In addition to the Mad Men-like work style, the RM job was both simpler, but also, in some ways more creative than the similar position today. It was simpler because limited performance data was available and relatively few non-lending products were sold. Each morning our first task was to review the bank's overdraft printout manually and, then, make the necessary phone calls to make sure that ODs were being covered. Beyond that, selling involved loans and just a few cash management products to cross sell (mostly reactively). The type of rigorous sales management system supported today by Salesforce.com and multiple metrics did not exist. Each banker had a portfolio of lending clients, non-lending clients, and prospects and we knew that our job was to maintain, grow, and add relationships. We viewed deposit relationships as secondary in importance and just not that much fun since there were no loans involved.

Approaches to Lending. Being leaders of the credit process fostered both creativity and commitment to doing the best for our client and our bank. Back then, RMs really focused on being loan officers, and we were expected to analyze our credits, structure and price deals, and monitor them on an ongoing basis. My first bank position at Citibank required a three-signature system to approve a loan. Since it was my account, I was always the first signature with other signors determined by the size and complexity of the loan and relationship. While my MBA was of little value in analyzing credits, my ability to write (having been a former English teacher) and Citibank's nine-month training program built a strong foundation. We had to generate a cogent and well-organized credit memo and then justify and demonstrate the multiple repayment paths or "ways out" for the loan.

Even though those making the lending decisions were all line bankers, gaining credit approval was a rigorous process. Our office was largely self-regulating, but the integrity of the credit process was strong. On reflection, when I left Citibank to go to a bank with a strong central credit approval process and a committee system, the tough but collegial Citibank culture was replaced by a more antagonistic approach. Credit professionals often seemed as if they felt they needed to protect the bank from the RMs rather than embracing them as partners.

The heritage Wachovia Bank (pre-First Atlanta and Wells Fargo) operated with yet another approach to credit management, an RM and a credit officer was assigned to each middle market and above relationship. While officially they were considered coequals, the credit officer seemed more equal than the RM because of the importance placed on credit quality. During the course of their career bankers could move back and forth between those roles, helping to avoid an "us versus them" mentality. While the credit process was demanding for both the bankers and the customers, I knew one CEO who viewed Wachovia's willingness to lend to his company as a badge of honor that underscored his company's quality.

Team Leader as Leader. Throughout my ten years as a commercial banker I benefited from having several excellent Team Leaders (TL) who helped to develop my skills and professionalize me. Sometimes the mentoring was very basic: when as a new banker I was about to go to one meeting with just a notebook, the TL said to carry an attaché case so I would look more professional. In another case he questioned me about why a borrower was drawing down on his approved line of credit. His point was that I was not an order taker but a banker who needed to understand what was driving my clients' actions. Each of these was a little lesson but one that I never forgot. The TL took my education way beyond my MBA, pushing me to ask incisive questions of my clients so that I could better assess their creditworthiness. He truly was a coach and mentor and his ability to do so rested on his years of hands-on experience in the banking trenches. He could even tell stories about personally repossessing cars.

In recent years the Team Leader (TL) role seems to have lost its mentoring and development emphasis and, in many cases, its value. Many TLs appear to be closer to bureaucrats than business developers and fail to spend enough time with clients or bankers. Obviously that is not true of a bank like Signature Bank where TLs and their three-four team members focus laser-like on developing profitable revenues and build annuity income streams for doing so. That said, at many banks one of the most underutilized positions is that of TL and bank performance suffers because of it. If the TL does not build a team and improve the people working for him, he is not doing his (or increasingly her) job.

Middle Market as a Growth Focus. I have written extensively about the reticence of many banks to pursue small business lending. Most banks we know view middle market lending very differently and are anxious to develop this area. Driving this enthusiasm: individual loan amounts can be significant, allowing for faster revenue growth than that provided by small business or consumer activities; each middle market company and its owners and top employees offer attractive targets for business and personal cross-sell opportunities; banks can differentiate themselves with this segment and develop sustainable positions with this client base.

But, the way in which middle market companies view their bank and banker has undergone some changes in recent years, requiring banks to rethinking the RMs role. We will discuss that next time.