Time for Another Administrative Review
By Charles Wendel

Many of us, particularly those with college age children, have read with concern about the explosion in college administrative staff and their salaries. One recent book reported that over the past 40 years the number of full-time professors had risen by about 50% while the number of administrators and staff had increased by 85% and 24%, respectively. A follow-up report found that between 2002 and 2006, the average tuition in "public research universities" had increased by 27% while "the spending on each student only went up by one percent…tuition hikes have resulted in little if any new spending on classroom instruction." Basically, at many universities the strongest teachers are stretched and the students face increased interaction with eager but inexperienced teaching assistants (of which I was once one) rather than more experienced professors. At the same time school staffs keep growing almost at will.

Something similar has happened in banking. The professors (in our case line bankers) seem to have become increasingly less important versus staff. The large amounts being spent on a myriad of administrative tasks often have very little positive impact on the customer and in fact seem designed more for CYA than customer service reasons. All this administration costs and inconveniences the customer more. For example, Sunday's New York Post features a headline, "Banks introduce new fees and service cuts" and begins "The small customer is toast at US banks" and goes on to state that increased bank profits "often come at the expense of branch staff and service reductions." Customers pay for the all of this.

I had a recent meeting with a retired banker from one of the top five banks. He was telling of his experience at the bank. He used a phrase that stuck with me, "I was a commercial lender." When he used that phrase he was emphasizing his extensive responsibility, the pride he felt in that, and the status he had at the bank. While nowhere near him as a banker in his accomplishments (or likely his capabilities) I felt that same sense in my years as lender.

What has happened is that in many banks I work with as a consultant the line banker (in particular commercial bankers and branch managers) have lost much of their decision-making power and status. The fault for part, but not all of this lies with the bankers themselves, many of whom have failed to adapt to the need to be true relationship managers or effective diagnosticians and sales persons. In addition, however, many banks have allowed the support staff to become the thought leaders and decision makers at their banks.

At too many banks staff and line requirements are insufficiently linked. Product people create new products without enough input from line officers who should be able to assess their customer's priorities; IT makes decisions in a vacuum and often relies heavily on self-interested technology vendors; Marketing fails to respond to line feedback about the quality of the information they provide; Compliance sucks energy and dollars sometimes without sufficient reason; and, HR fails to act as the leadership function it needs to be. HR should be a hub of creativity and development, guiding employees to stretch themselves and the organization to become more flexible and able to "pivot" in light of market realities. About nine out of ten HR departments fail to do so, instead being reactive and administrative rather that providing thought leadership. To this day many HR groups oversee an employee review process that is dishonest, meaning that it does not assess individual performance accurately.

The bank mantra of “doing more with less” is impacting the line every day with many banks eliminating sales-oriented staff that has failed to sell. Banks need to develop a surgical approach to evaluating and redefining support areas as well. Across the board cuts, an approach many banks follow, is likely a mistake until management reviews what its expectations are from its support groups. Industry best practice analysis should include not only banks but also functional leaders in other worlds such as alternative finance and Silicon Valley-based firms, among others.

Over the years I have seen tremendous differences in what support groups offer. For example, Marketing may always need to deal with events and PR but also now needs to provide data analytics and input on multi-channel marketing and customer service. IT needs to keep the machine running while developing partnering with the most capable and creative vendors. HR needs to provide strong employee relations capabilities while also constantly uptiering staff either though training or new hires.

The old tasks have not gone away, but new ones, more complicated and demanding, are now required. Clearly, these changes bring with them implications for senior staffing. People who are capable at certain function may not possess the breadth or the mindset to take on a broader role. Of course this can be disruptive to the organization. Due to reasons tied to paternalism and culture, bank management often clings to people with a history at the bank rather than moving to embrace the future. That is a short-term expediency that needs to change.

What steps should management take?

1. Evaluate current support activities. What is working and what is lacking? Both support staff themselves and other employees will provide insights on this.
2. Assess best practices that take the bank out of its comfort zone. Look beyond banking.
3. Agree on the future roles and responsibilities of the enhanced organization
4. Based on the above, redesign the functional organizations. How should they be organized and staffed to achieve new goals? What should be the first priorities across the bank?
5. Develop a timeline for change that includes new staffing needs.
6. Make a senior executive responsible for the timeline.

In fact “support groups” should be leadership groups and at the best banks they already are. Are yours?