

## **We've Already Done That! No, No You Haven't!!**

by Charles B. Wendel

I'll never forget our Board presentation to a bank that disappeared long ago. Our final recommendations detailed steps the bank should take both to reduce costs and stop the hemorrhaging of its loan portfolio. The bank was poorly managed with a CEO who believed he had been hired to generate loan growth quickly. He did exactly that with all the expected negative consequences. The Board consisted of 20 local residents, most of whom were way over their heads in discussing financial or strategic issues.

This bank was teetering on the edge (an edge it later fell off). Did the Board rally around our tough but reasonable recommendations? Not really. One overripe gentleman pushed away the (if I say so myself) beautifully prepared presentation and almost shouted, "We've already done this!"

In the decades following that comment, I've heard something like that comment from executives at banks no matter their size.

"We've already done this?" *Really?*

*Have you eliminated low profit products and broken the silos that support them?*

In this high inflation environment, are you not only negotiating tough but also rethinking needs to eliminate or bring some functions in-house? Simply stated, do you need all the services that outsiders provide, including consultants and freelancers? Or are you the bank equivalent of the consumer who finds himself with subscriptions to Apple Music, Sirius, and Spotify? They may all have different niches, but no one needs them all. For example, consider the value (or not) of any market research or consulting reports you buy. At a minimum, can you reduce their frequency?

*Have you worked with HR to eliminate poorly performing employees.* Many banks still have people who are low quality enough to substitute for the present Biden Press Secretary. That's both an expensive and productivity and morale killing situation. HR, along with pushing the latest social agenda, should take the lead in the case building required to exit value destroying employees. And while we're at it, the role of HR itself should be assessed to make sure they are supporting the bank's economic success rather than leading bank management into negative elements of what might be the ESG quagmire.

*Have you built a fence around your best employees, particularly the revenue generators and IT experts you need to sustain profitability?* I don't think so. We see banks that pay more for better performers continuing to steal high profit teams while the poached banks wring their hands rather than reaching into their wallets. Today we are in an environment in which dollars are tight and loyalty is low, an opportunity for some banks and a potential death knell for others.

*Have you explored the new Core providers in depth rather than assuming they can't meet your needs? Some banks bounce back and forth between the two major providers hoping that one of these behemoths will be responsive to something other than their own agendas. I'm skeptical.*

*Does your bank have a reason to exist? Yes, I know the bank employees people (you included) and serves its community, but how does it do that differently from other banks and non-banks? What is your sustainable competitive advantage? Do you have one or are you kidding yourself?*

The reason that management believes these, and MANY other questions have been addressed and put to bed is because they raise difficult issues and demand actions that may take the bank into unfamiliar spaces and upset employees.

But the future involves unfamiliar space and unless bankers and Boards engage on these issues now, well, what future do these banks have?

*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](mailto:cwendel@ficinc.com).*