Reengaging
by Charles B. Wendel

Taking a multi-month hiatus from writing this newsletter has allowed me to think about the purpose of writing about the financial services industry. Columns often served as a brief therapeutic session, where I am able to focus on issues troubling me (and clients) as well as vent about multiple topics.

One reason I took a pause was that even I had become bored with some of the repetitious topics I focused on over the years, as valid and valuable as that focus might be.

Some of the topics included:

The importance and value of the small business (SB) segment. For how many decades have bankers, consultants, and even small businesses themselves tried to communicate the importance of SB's, their owners, and employees to banks? Almost uniformly, bank managements say they support small businesses and cherish them. Almost uniformly, that's either an over statement or a lie. Oftentimes, bankers seem to lie to themselves about their interest in this business area.

Bottom line, I don't think there will be any significant shift in favor of small businesses by banks, particularly if new reporting rules go into effect. Related to recent client work, in fact we are seeing some banks move away from the vendor finance business that focuses largely on small businesses. For those banks it involves too many small dollar transactions and an ever-increasing reliance on technology. But those banks that stick with SBs and put the power of their institutions behind a small business effort will continue to benefit from doing so. Most banks just don't get it and never will.

Leaders in name not reality. I'll never forget one very senior bank executive complaining about his inability to act because "they" put up barriers. I tried to suggest (subtly) that he was the "they," but he never caught on. In another case a banker who was to retire in a year started to speak out more loudly on issues he had known about for years. He admitted that he had suddenly decided to speak out on topics he had previously avoided since he had one foot out the door.

That is not the kind of leadership banks need, but it is what many get. And the power of regulators may be making this tendency to equivocate worse than ever. Non-banks and those banks with courageous leaders can outmaneuver and outperform others.

The need to reshift the balance of power within banks. We've all read how Elon Musk cut the majority of X's staff without any noticeable decrease in quality. (Some would contend that X's quality actually improved with the reduced staffing.)

For quite a while now, the balance of power within banks seems to have moved from the line (revenue creators) to staff areas (cost centers). So many line bankers that I speak with seem disheartened, viewing themselves as operating with reduced influence internally.

I've had some great proactive staff leaders (CMOs and CFOs) as clients…BUT, more often than not this new world of support staff as king creates problems for the customer, for the investor, and the bank's culture. Checkers checking checkers does not lead to greatness or customer satisfaction. Again, regulators have played a major role in creating this situation.

*Fads over fact*s. For decades, banks have allowed themselves to be victimized by the latest "innovation" that was going to change the nature of banking. While almost of these innovations had some value, the fundamental nature of banking and the customer/banker relationship has not changed. Many bankers and, in particular, their staff and IT people embrace the "shiny new thing"

Wikipedia provides a long list of 1950s to 1990s management theories and practices as compiled by Adrian Furnham in 2004:

- Management by objectives
- Matrix management
- Theory Z
- One-minute management
- Management by wandering around
- Total quality management
- Business process reengineering
- Delayering
- Empowerment
- 360-degree feedback
- Re-engineering
- Teamwork

The article goes on to include another 20 practices:

Other theories and practices which observers have tagged as fads include:
- ISO 9000
- Six Sigma
- The tendency to replace every occurrence of "data" in compound managerial terminology with "information", see e.g. information integration vs. data integration
- Knowledge management
- Design thinking
- DevOps
- Lean six sigma
- Transformational leadership
- 5S
- Agile software development
- Enterprise architecture frameworks
- "thriving on chaos"
- Open-plan offices
- Stack ranking

- Best practice
- The Tao of Leadership
- Artificial Intelligence

Many of these initiatives offer value, but none, including AI, provides a magic answer. Even with AI we're already seeing concerns by analysts including one at Goldman Sachs with the cost/benefit tradeoffs of AI.

My point is that banks need to look at each new potential initiative with both interest and circumspection. Consultants and technologists seem to encourage a bet the bank approach when new paths like digital or AI arise in importance. Yes, a focus on these areas is in their best personal interests, but is it in the best interest of the bank and the customer's relationship with his/her bank? The answer is often no.

Going forward, it will be a challenge for me to go beyond the standard consulting insights and recommendations to provide some value that cannot be obtained elsewhere. Writing less frequently should help me long this path.

Time will tell. Maybe consultants should try to emulate the controversial style of a Ricky Gervais rather than the smooth as glass self-satisfaction of a TV news anchor.