
GOT THE BLUES? GO SEE A CUSTOMER TODAY--AND TOMORROW

You won't produce a better tomorrow just from behind your desk. Ed says, get up, get moving, and visit your borrowers today

You can meet blogger Ed O'Leary in person when he speaks about loan workouts and also about corporate ethics at ABA's National Agricultural Bankers Conference, Nov. 15-18, 2009, San Antonio, Texas.

Last week we discussed that, for many practitioners today, banking hasn't been a lot of fun lately. Young lenders without a lot of experience find themselves left to their own devices without much guidance or encouragement from their seniors. Some banks and bankers have been immobilized by very difficult business conditions and are in some cases locked in a battle for survival of the enterprise itself.

Here's a lesson I learned in good times that's relevant to what many of you are experiencing today.

The day a haystack landed on me

In the mid-70s, after a three-year hiatus from the banking industry, I returned to banking as a corporate lender at First National Bank of Miami.

I replaced a man who had been promoted to a senior job in an affiliate bank, and I inherited a seasoned book of business. In short order, our lending group experienced two resignations of experienced people. One returned to his native North Carolina and the other accepted a senior position with a customer.

Suddenly, I went from busy to buried. Everyone was swamped, so there was no one to help me figure out how to set my priorities. Fortunately, I had experience from my days in New York. But this was a stressful start in a brand-new job.

Clues from cash management

Cash management systems were in their relatively early days of development and my bank was a leader in this emerging product line. Cash management systems often produce large dollar overdrafts in related accounts. It was initially impossible for me to know whether a big overdraft was a system phenomenon or a customer problem.

I decided that I would make personal calls on my customers who showed up repeatedly on the overdraft list. It was a daunting task but I managed to call on at least one customer a day, sometimes two, and kept this pace up for quite a while.

I was amazed at the customers' reactions. Most hadn't seen a banker in their places of business in a very

long time, several years in many cases.

I was treated like a visiting potentate, particularly if the customer had a borrowing relationship. Not only did I get to know the owners, I had a chance to meet the real "boss." This was often the owner's wife, who ran the company's books. It was an epiphany at a relatively young age that one had to meet the customer on his turf to be truly successful and earn his enduring respect.

My efforts were well rewarded as customers began to introduce me to their friends. Many of their friends became my prospects, and, ultimately, my customers. Customers began to return pieces of their relationships that had been poached by competitors, probably because my predecessors had not been attentive to the calling side of the business.

Quite by accident I found myself with the very fortunate reputation of being an effective business developer. What had I discovered that so amazed my bosses and my colleagues? Simply this: customers liked to be visited by their bankers; lunch in a fancy restaurant is not enough.

Get out from behind the desk

We bankers have lost much of our mystique in the last few years.

The excesses of some have become the condemnation of many. How do we recover? What should we do?

If I were still an active lender, I'd spend much of my time out of the bank and in my customers' places of business.

For many bankers this has to be a self-imposed discipline. It takes time and effort.

One time a customer gave me a tour of his foundry. Foundries are noisy and dirty places and this place was certainly that and more. It was really a mess.

I was getting to know the owner. I was aware that he had retired early from a successful military career to buy into the business a few years before. I couldn't square his spit-and-polish background with the mess I saw on his shop floor.

I must have said something to this effect, and didn't give it another thought.

Several months later he invited me back and insisted that I accompany him on another tour. The place had been transformed—as much as one can transform a dirty metal-melting business—into an environment that was neat and orderly.

The owner told me that my comment so surprised him that he set about to clean up the shop environment and that subsequently both productivity and morale improved significantly. I had done him a favor, and quite by accident.

What ultimately followed also came as much by accident as by design: his friendship, his considerable trust and estate business, and his confidence in me, his banker. If I'd done my job just from behind my desk, none of this might have happened. I'd have missed out on both a business development opportunity and an important lesson.

Get off your rear end--now

It's time we get back to basics and get busy doing what we intuitively know we need to do. Business development requires a first step and that's up to us. It's hard today as the business environment is lousy. We have the time to do it right now and we should for our sake and for our customers.

About Ed O'Leary:

Veteran lender and workout expert O'Leary spent more than 40 years in bank commercial credit and related functions, working with both major banks as well as community banking institutions. He earned his workout spurs in the dark days of the 1980s and early 1990s in both oil patch and commercial real estate lending.

O'Leary began his banking career at The Bank of New York in 1964, and worked at banks in Florida, Texas, Oklahoma, and New Mexico. He served as a faculty member and thesis advisor at ABA's Stonier Graduate School of Banking for more than two decades, and served as long as a faculty member for ABA's undergraduate and graduate commercial lending schools.

Today he works as a consultant and expert witness, and serves as instructor for ABA e-learning courses and a frequent speaker in ABA's Bank Director Telephone Briefing series. You can hear interviews with Ed about workouts here. You can e-mail him at etoleary@att.net. O'Leary's website can be found at www.etoleary.com.

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