WOULD I HAVE FIRED THAT LENDER? O'LEARY AND 'BANKER X'

Banker remains a people business, whether you're a customer or a young banker seeking career direction

* * *

Blogger Ed O'Leary wrote this column after we asked him, "Did you agree with Banker X's decision not to fire the lender who caused the huge loss?" It was told in last week's "Reporter's Notebook" blog —Steve Cocheo, executive editor

* * *

Would I have fired that lender who figured prominently in the Reporter's Notes Blog "Why Didn't I Fire that Lender?," of last week? I don't know, as there's probably not enough information to be definitive and fair at the same time. But, as you might guess, I have some thoughts on the process.

I used to work with an old credit administration war horse who often said to younger loan officers: "You can always make an exception. But when you do, you'd better be right."

In the case of the chief lender that the other blog discussed, I'd have some questions:

• Was the error or series of errors that led to the large loss egregious and repetitious?

• Was it careless or stupid or both?

• Does the lender have other redeeming qualities, such as a sterling record over the years that should not, in justice, be overlooked?

Reasons to keep, reasons to fire

Assuming that no one on the board is looking for a scalp, I'd want to keep him, in agreement with "Banker X," as more than likely he'd land at a local competitor and become a thorn of a different sort in my side.

There's also the question of whether this fellow is a comfortable fit in the culture, in terms of personality and decent work habits. If he doesn't really fit, then a credit misstep is often a way to effect a purge without getting into the often difficult areas of how you fire someone without triggering an EEOC complaint (age, gender, ethnicity sorts of things).

There's also the issue of whether there's a shared culpability here, i.e., is something lacking in the bank's policies and procedures?

• Does the bank have a strong loan committee approval process?

• Where was loan review?

• Did central funding overlook something?

Monitoring customer activity is to some degree a shared activity, even in the passive, trailing sense.

The bigger picture

Considering the story of Banker X caused me to reflect on the firings of co-workers for whatever reasons, back over my career.

I can't think of very many and usually they were pretty confidentially handled, for obvious reasons. I've thought, though, about the firings of former colleagues who remained after I'd left or those who left to go somewhere else while I was still there.

I can only think of one termination over overt performance. It happened to a former boss who ultimately ran the bank's investment portfolio. That was back in the days when the bank had to decide if the portfolio was to earn positively or negatively for the year. It was a crazy way to do things, but it was done for arcane reasons and everyone did it the same way.

My old boss made the wrong assumption too early in the year and couldn't correct it, as he would have been trading against the direction of market rates.

So, as a friend of mine said, "Every sacrifice requires a goat." He was it.

Knowing people, and knowing yourself

Other terminations that come to mind seem more a reflection of the culture of an institution eliminating a misfit. Note I'm not saying an incompetent. That's because I can't recall ever working around a completely incompetent person who was at or above my job level and function.

Some people just don't fit in certain situations. One boss I had many years ago gave a very candid assessment of me to his boss: "Ed's a salesman. That's how we should use him." Not long after that I got a different job and was put into a sales and production environment, one more to my liking than the staff billet I had inhabited for a year or so before.

There are some things that others may see better than you or I can see for ourselves.

Banker X, the CEO in the other blog, recommends playing to one's strengths. Another way to say this is to "go with what you've got." Sometimes you can find yourself with an opportunity but unsure of how to exploit it or whether you've got the requisite horsepower. One way is to simply find out whether you do or not. If you've got the guts to overcome resistance due to possible inexperience, you've probably got the moxie to learn pretty fast.

Knowing your bank's strengths

Another thing that I noticed a long while ago and which relates to what Banker X said is the wisdom of being strong where the bank is strong.

I have told my own kids in their career work that same thing. In the banking sense, for instance, if you want to be a commercial lender, you probably should go to work for a bank that makes commercial lending a major business line, as opposed to a sideline.

I knew a fellow back in my Midland, Texas, days who was a strong investment officer type. He ended up, last I'd heard, working for a small trust company in New Mexico and probably with more experience and capacity than his institution knew how to handle or utilize effectively.

Some people just get too hung up on geography or weather or big city versus little city and make dumb choices in terms of the career.

I will (and have) put up with a lot to advance my skill sets and now I can live anywhere I want to and do-New Mexico in the summer and South Texas in the winter. "Go where you stand out is good advice," but it should be tempered in early career days by seeking out an environment where you can learn the trade well. A solid foundation builds a better building.

Appreciating a talented lender

The idea that a good lender or good all-around banker is not a commodity--a key point of Banker X--is a priceless bit of wisdom.

I used to tell my customers that I was performing a service for them and that service has a complete context and not just a price associated with one part of it. Through taxes, Uncle Sam shaves the cost of the various components of the service that lenders provide. A loan rate of 6% becomes something considerably less when federal income taxes paid by the borrower are considered.

Any evaluation should be in a total context and if the customer is getting what he needs, the lender is worth every bit of the cost. "You get what you pay for" is a timeless component of the value added process.

I am reminded of the comment a senior officer of my bank made to me as I arrived in Albuquerque and assumed the role of CEO (and a new outsider).

"This bank has always been on the verge of greatness" he told me. "We never figured out how to bring it all together at one time."

That was the challenge I had and it came not with any checklists or nostrums or clichés. It simply meant that collectively we had to do well and consistently so. That's the sort of bank that Banker X seems to be running and we can all learn something from someone like that.

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 free audio 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.

You can get word about these columns the week they are posted by subscribing to ABA Banking Journal Report e-letter. It's free and takes only a minute to sign up for Click here.