
IT'S LESS WHAT YOU KNOW AND MORE HOW YOU ACT

What bankers need to be right now may surprise you

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Several summers ago I had passed my 50th birthday and was comfortably ensconced as a senior officer at the Liberty National Bank and Trust Company, Oklahoma's largest bank at that time. My seven years with the bank to date had been enjoyable. In fact I operated happily in a variety of jobs of increasing responsibility, ranging from manager of special assets to credit administrator to retail banking executive.

The last thing I expected at that age was a phone call from a headhunter-but there it was.

Invitation to Albuquerque

Someone-and at the end I'll tell you who that surprising party was-had suggested he contact me about my interest in becoming CEO of \$1.5 billion-assets bank in Albuquerque. We exchanged pleasantries on the phone but I had no urgent wish to once more disrupt my family and there was nothing unfulfilled or lacking in my professional situation that urged me to change jobs.

I recall reluctantly agreeing to receive information on the bank-financial statements, annual and interim reports, and some redacted information on the condition of the bank from the latest report of examination.

The consultant's calls continued every few days for a week or more, until I agreed to fly to Albuquerque to meet the bank's ownership, members of a large family that had acquired the bank a dozen years before.

"I'm new here too"

A quick one-day trip for lunch with the non-executive chairman in a fast-food cafeteria (what color shirt and tie will you have on so I can recognize you at the gate?) and two hours with the owning family in the headquarters of their other business enterprises was my exposure to a new and different world.

The head of the family was a widow, then in her late 50s. Through her family's stock holdings in a voting trust she was the executive management successor to her late husband's business enterprises that were both diverse and profitable. The children, ranging in age from early 20s to mid 30s, were all involved in the family businesses, each with his particular interest in a portion of the enterprise.

When I got home that night my response to my wife's question about how the day went was a laconic "There may be something there." I enjoyed the family, in terms of my first impression. They had energy, enthusiasm, talked

simultaneously and vigorously to, at, and over each other and laughed a lot. Their mother controlled the discussion, though not their frenetic activity, and it was clear to me that these people were nothing if not very interesting.

I learned during that afternoon that they had interviewed nine candidates for the job and that the boys had two that they liked and wanted to go ahead and make one or the other an offer. Their mother was not particularly comfortable with any candidates she'd met. It was this reluctance that led the consultant to continue the search and ultimately to contact me.

The job of "landing" me fell to John, the non-executive chairman, a man in his late 40s whose father had been the bank's non-executive chairman for several years before. John would call me most every evening or so around 8 P.M. in Oklahoma and "take my temperature" on how I was feeling about the opportunity and answering questions on the bank.

Two Thursdays later, after running out of reasons to defer a decision, I was in Albuquerque and elected president and CEO in the afternoon and the next morning was introduced to the staff at the main office. For the rest of that day I was driven around to the close-in branches and walked around the lobbies shaking hands with employees and surprised customers standing in the teller lines.

One young staffer became very flustered and blurted out, "I'm new here." "Me too," I responded.

Insight into ownership

The bank had been in recent trouble with asset quality and had been in a sort of running gun battle between executive management and Comptroller's Office.

The bank was not seriously troubled, in the sense that many of us have experienced during this last business cycle, mind you. But the lending staff and management had become sloppy in its practices and needed a bit of straightening up as much as anything else. I don't mean to minimize the need but the company was not on any closure list. There were some selective civil money penalties assessed on executive management members subsequent to the management change which to me spoke to the level of frustration that the examiners must have felt with the situation over the previous 18 months or so.

In reflecting years later on why I took the job I continue to be reminded by the thoughts and wishes of the family's matriarch.

On more than one occasion during the interview process she said:

"I want to be proud of the bank like my husband was."

The clear implication of her comments was that she was not pleased with what the bank had recently become in the perception of both the community and the regulators.

In these moments of candor, I ultimately came to understand that she and the family were quite typical of owners of community banks. Such owners see their institutions as vehicles for community good and benefit, something of a community resource. Through the operation of a bank, they understood how they can be forces of good for a community and not just economic participants making money in their otherwise narrow business pursuits.

They and their counterparts across the U.S. honestly believe that a bank is something with a unique capacity to create community wealth with a real multiplier effect among its customers and public.

Up to this point, my career had been at large banks or small subsidiaries of large banking companies. This was a not a new idea to me but one with which I'd had no direct participation.

Bankers as healers

My experience with the totality of my tenure as CEO was quite different from what I imagined it would be when I accepted the job. I thought that my big bank experience and my problem-asset background were principal selling points to my new bosses. They really weren't.

Instead, I now realize that the successes that my colleagues and I had in restoring the bank to financial health and community and regulatory respect was in the healing of relationships: examiners with executive management; owners with directors; owners and directors with the staff and the general public; and the variety of all those day-to-day interactions among both large and small constituencies of a community bank.

My experiences and accumulated knowledge were useful, of course. But they did not in and of themselves produce success in that environment.

What the moment needed for a healing of relationships was a restoration of trust and respect.

Perhaps collectively we are again at that sort of inflection point, as an industry.

The leadership skills needed today are not necessarily the obvious ones of competence in functional areas of risk-though such are never out of fashion.

Rather, the premium today should be on skills dealing with interpersonal relationships that build respect, confidence, and a sense of trustworthiness in the collective activities of the enterprise.

Surprising source of the career shift

And who was it that referred my name to the attention of the bank's chairman?

It was the examiner in charge of the safety and soundness examination then concluding at my new bank.

At some level that examiner, a man with 20-plus years of experience whom I had met some years before at Liberty Bank, sensed what was missing in the chemistry among the constituencies of that enterprise.

Could we need today a simple reinvigoration of the same sort of logic and fundamental skill sets to restore the confidence and credibility of the community banking segment of our industry?

Maybe the solution is simpler than we think and closer at hand.

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 has been 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.

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