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## CREDIT PEOPLE: DO OFFICE POLITICS AND BUSINESS LENDING MESH?

Meet "Wally," the well-connected lender

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All of us have observed or participated in office politics. In fact one pundit many years ago observed "Where more than two people are involved, there's politics."

I suppose this is a direct consequence of selling, as we are all selling something--our opinions, our ideas, our influence. Recently, after reading my recent series of blogs about credit committees , someone asked me if office politics are a significant dynamic in the workings of such loan bodies.

"Are you kidding?" I answered.

In looking at the principles of lending--the Five Cs of Credit, for example--what's political about them? Nothing, objectively. But there's politics working just below the surface in terms of whom each or any of us are cultivating for approval and a thumbs up on any credit we are presenting.

And ambitious lenders want to please their bosses and to be rewarded for it. That's just human nature, and it's how so many of our societal institutions work, or at least those built on a hierarchical model.

But is this good for lending?

Politics and the younger lender

Maybe one useful way to think about this matters lies in terms of the responsibilities that all of us share in helping younger lenders develop and sharpen their skills. Ask if the individual "styles" of lending officers seem unduly or excessively focused on what we would call "politics." Then, understanding the answer to that question, ask how do we think it influences that individual's performance and effectiveness as a lender.

There are two dimensions to this question:

1. Are political skills useful in credit analysis and underwriting?

2. Are political skills useful in business development?

Is there anyone who would disagree that in the case of the former, political skills are largely irrelevant, while in the case of the latter, they are probably decisive?

Again, human nature. Yet ...

Personally, I've always been a bit put off by the antics of any colleague who seems to be overtly engaged in office politics. I never fully trust such people.

On the other hand, there's something to be said about a certain amount of anticipating the boss's biases and attitudes and cultivating a working relationship with him or her. This is important in achieving effective communications and doing what the boss expects, and the situation demands, in a constructive sense.

But is there a dividing line?

Life with "Wally," the office politician

A number of years ago I had a working colleague, "Wally" we'll call him, who illustrated much of what I admired but simultaneously mistrusted.

Wally was about 35 and was a career lender. He sought an intra-company transfer apparently to improve his family's quality of life and become part of a very dynamic business environment.

He was well-educated; well-connected through an entrepreneurial family in the region; and well-married. And he had gained both the respect and personal friendship of key players at our own bank. When his boss, a friend, was promoted to a regional position and became my boss, Wally in short order was asking for a transfer to work in the same territory--under me.

Wally was a good business developer. He held good social and interpersonal skills. He moved comfortably in social circles populated with the sorts of prospects that are typically the direct targets of any private banking business development effort.

As chief credit officer, I was Wally's boss. I concluded over time that his credit skills were decent, but I felt that he occasionally relied on gimmicks, or so it seemed. For example, he would invariably compare any borrower's business results with some SIC code taken from the RMA statement studies and attempt to make as much as he could of such comparisons for his analysis of the borrower's capacity to repay.

Frankly, I never thought then or since that the world was that simple.

His lending results were decent, as I recall. Wally had a good nose for character issues and that served him well.

Getting along with Wally

But, speaking of character issues, why did I distrust him?

Because there always seemed to be an ulterior motive for whatever Wally did.

The motive wasn't always obvious but in most instances, his behaviors seemed to have some self-serving thread to them, whether it was business, social, or personal office political gain.

I have to remind myself from time to time that I have no obligation to particularly like my colleagues, but rather have a serious responsibility to get along in a professional and respectful relationship.

But Wally's political dimension disturbed my ability and, frankly, my willingness to try as hard as I perhaps should have to get along.

The lesson here is that what we call politics is often a way of behaving and being perceived as one who is overtly courting a particular subject though calculated interpersonal activity.

Is this positive or negative for a bank? The bottom line is whether the politics promotes strong and effective working relationships and an effective internal culture.

My bank's own private political jungle

Many years later, in reflecting on life at that bank, I realized that the environment throughout that company was very political.

But, worse, it was political with people often concerned about what seemed to me to be non-substantive things.

In the credit sense, if a loan is worth making, isn't it so because it fits the policy? Is it an acceptable and properly priced risk? And enhances existing relationships or affords the opportunity to forge new ones?

Why should this have anything to do with whom we know or work for? Or the currying of favor for specific, personal advantage?

The reality, of course, is that it often does.

And once we acknowledge that, are politically motivated behaviors a constructive or destructive force in the myriad relationships among staff members?

After mulling this for years, I finally am of one mind on the question:

I don't like it and the sort of working environment it fosters. It undermines my sense of trust about the personal motivations of colleagues and thereby erects barriers to cooperation and effective team work.

Can you have both a political environment and a sound credit culture? I think you can. They are not mutually exclusive. But which do you prefer, politics or its relative absence?

A lending career from training program to gold watch is a long time. I'm all for enjoying the experience along the way without the distractions of personal politics.

## 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.

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