LOYALTY UNDER FIRE: PRICELESS

Can you be counted on
in a crunch?

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The much-published revelation made recently by JP Morgan Chase CEO Jamie Dimon that several of the company's top executives "acted like children" in the aftermath of the bank's failed derivatives strategy and resulting $6 billion loss was stunning. And thought provoking.

First of all, imagine the spectacle of such high officials behaving poorly by maneuvering to minimize personal reputation risk. This does not appear to reflect very well on the character of the some individuals responsible for the well-being of one of the country's biggest corporations.

But more importantly, imagine being called out publicly for immature and self-serving behavior by your boss, perhaps the most respected bank CEO of this generation. How embarrassing is that? And what might it be telling us about the personal loyalty of high-ranking people toward their bosses in today's corporate environment?

Is there any substitute for loyalty in business?

I understand very well the pressure cooker that some of these executives were experiencing, having been part of three management groups where personal, reciprocal loyalty to the boss and to colleagues was the glue that held us together in times of horrible stress.

Trial by fire in Texas

My first experience of this kind was in Midland, Texas, where I was credit administrator of the bank. Oil prices were sinking rapidly and rendering many of our borrowing customers insolvent. Right after the failure of Penn Square Bank, the Comptroller's Office came in to examine us as a direct consequence of the credit deterioration in the oil field.

We set up a "war room" in a large conference room near the credit and collateral files. The examiners usually called for credits in groups of 20 or 25, thereby giving the account officers an opportunity to schedule their availability, which often required the presence of the bank's staff of petroleum reservoir engineers.

A schedule was a great help to everyone in getting through that hectic time. It also gave those of us in Credit Administration the opportunity to tidy up the files and determine if critical documentation was becoming out of date or couldn't be located. The currency of information was an issue we struggled with as the examiners took the position, not incorrectly, that some information could be out of date in periods of considerably less than a year. Personal financial net worths, based largely on falling values of oil and gas producing properties, was a case in point.

I headed a team of eight or nine professionals who personally "scrubbed down" every credit file and most collateral files before they were delivered to the examiners. We worked seven days a week for over four weeks. The most intense activity was during weekends, so there would be an adequate supply of relationships ready to be examined at the beginning of the week.

Some of our team members performed amazing feats of diligence and endurance. They were in that war room for 12 and 14 hours a day, every day for the term of the examination. And in between the review of files, they kept up with their normal duties.

Within the space of two weeks or so, I knew who I could completely rely on and who should not be similarly trusted. We were all very transparent to each other but not even in that pressure cooker in close quarters did everyone necessarily respond appropriately. I learned a great lesson in team cooperation during that difficult summer.

Even today, many years later, I think in admiration of what most of those people accomplished as a team.

Trying to stay united
when failure threatened

A few years later I was in Oklahoma City heading another bank's problem loan workout group. We weren't on a sprint in those days, but rather running a long- distance race.

We had to work in an extremely focused and consistent way. We knew that if we didn't meet that challenge, the bank could be lost. I developed a bond of trust and friendship with that group of bankers, officers and staff alike, that was unlike anything I'd experienced before.

But that experience lasted almost three years and as in my prior experience, not everyone acquitted himself equally well.

I learned lessons in loyalty, particularly. The president of the bank was extremely supportive of our group and other than to be sure that we had the resources we thought we needed, he let us do our jobs without any unnecessary input or tedious micromanaging. Frankly, neither he nor we had time for that, anyway.

A tough road in New Mexico

The third period in my evolutionary experiences in teamwork occurred when I was CEO of a community bank in Albuquerque. We were a regional bank with a diverse product line and 50 branches.

We didn't have any truly existential experiences in those years but we were, in my early days there, under a formal agreement and then a couple of years later we were acquired by First Security Corp. I learned that in a group of executive managers I had "inherited," there were often competing agendas and some of them competed most directly with mine.

There were "wood shed" sorts of talks from time to time. Over my initial 18 months or so in that position, I eliminated or replaced three senior officers. I just tried to do my job and expected the others to do theirs. When they didn't, I did what I had to do, though I tried to work with some people whose understanding of what I wanted done wasn't completely clear.

We made it through those situations. But there were a few eggs cracked in the process of making that omelet.

What none of us could have anticipated early in my tenure was how we would all be involved in a large corporate downsizing six or seven years later.

Some consultants sold our holding company management on a massive reorganization. The regrouping took about a third of the jobs out of the affiliate banking system in six states and consolidated a large number of functions into headquarters. Some of this was probably necessary--but it was still the worst experience of my professional life, that day when I presided over a downsizing that terminated over 250 jobs in New Mexico.

There was one bit of rough justice that occurred along the way. Among those positions that were eliminated were incumbents whom I directly knew or strongly suspected of having competitive agendas with mine and tendencies that stretched any reasonable definition of loyalty.

To manage a fair and equitable downsizing, the focus had to be on retaining the best people and making sure the functions going forward were in proper alignment with each other and with the functions at headquarters.

It gave me considerable satisfaction as we managed the transition planning process that the best people seemed to be the survivors. It was also no surprise to me that these were often the people who gave unstintingly loyal service to me and to their colleagues within the bank.

In the end, the quality of those people was recognized, as it usually is.

I can only imagine how Jamie Dimon must have reacted to the pettiness he saw among some of his executive management group, as people reacted to the bank's derivative losses.

I can certainly say from my perspective and experience that those who react poorly ultimately betray themselves. What then must be done is both necessary and obvious.

I wonder how many of them will really understand what hit them.