

THE GLUE THAT SECURES YOUR PORTFOLIO AND YOUR LENDER BASE IS TRAINING

Why the training budget is the last place your bank should be cutting—if it wants a strong commercial lending function

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Forty-two years ago this fall I concluded my 15-month training stint in The Bank of New York's Loan Officer Development Program. If the next day I'd been asked what my job was, I'd have said, "I work for The Bank of New York." Today's new bankers are more likely to respond, "I'm a commercial lender."

In several authoritative published studies, including one by the Harvard Business Review about a dozen years ago, it has been well documented that young professionals in virtually all lines of work tend to identify more with their functional job descriptions, rather than with their employers.

The implications are potentially profound for bankers and for banks.

Training—an early, and easy, target

Have you noticed how many banks curtail or outright "kill" training and development activities when times are tough? (Like they are right now; have been for the last year or more; and are likely to be in the foreseeable future.)

This flies in the face of common sense, for building long-term value for shareholders and increasing the competence of the bank's professional staff.

Larger banks tend to be consistent in their training budgets. They understand that it takes a certain amount of continuous effort to assure a more or less constant flow of talent to replenish staff turnover, and to grow as markets and customers grow in size and complexity. It's the smaller banks, with much less well-developed ideas of long-term value that are sowing the seeds of their future problems. These assumptions will be incorporated into the budgets that they will begin to develop very soon for the next fiscal year.

If the studies on how job incumbents identify with their work are accurate—and I believe that they are—then every dollar spent on staff development is money spent on enhancing the incumbents' job satisfaction.

Training budgets specifically focused on expanding job skills probably generate more employee satisfaction, dollar for dollar, than salary increases or bonuses.

Consider this: If being a commercial lender is of primary importance to me, then I can always work for commercial bank

and I'll pick one that will invest the most in developing me. It's a direct value-added proposition and is probably better job security in the long run than just about anything else.

Equate strong training with branding

Not every employer will get this. But if employers have blind spots on this point, why wouldn't they at least want to improve staff competency to enhance customer satisfaction with the bank?

This is the essence of branding.

Banks spend a ton of money creating a consistent set of experiences, as well as expectations at the "touch points" between customers and the bank.

Yet, while training is considered expendable, other branding functions are not. How much money is spent on marketing campaigns, developing slogans, image advertising, and the color of the bank's letterhead—all of which seem to be more or less impervious to the relative level of bank income quarter to quarter?

As I've pointed out in recent months, community banks, especially those with strong growth by acquisition in recent years, have not provided consistent opportunities to solidify a cohesive credit culture. At many such banks, basic underwriting skills have been learned in a variety of environments and not necessarily in environments of equal quality or durability.

If you are skeptical of my concerns or think I'm exaggerating the costs of missed opportunities for a common training template, including coherence of our individual banks' credit cultures, why is this industry suffering so badly in terms of asset quality?

My answer is that in part, in-house credit training for the community banking portion of the industry, plain and simple, stinks.

We seem reluctant—at best—or unwilling—at worst—to spend the money, so why should we be surprised or disappointed at the result?

Finding the right road

I've got advice for both young lenders and their CEOs.

First, my enduring advice to young lenders is to find an environment where training and mentoring is part of the way the bank does its business. Not all training experiences need a lot of structure to be effective. But they need consistency of application and purpose.

Ask yourselves regularly if your learning curve is up? Or flat?

If your answer is consistent and if that troubles you, then it may be time for a change.

Second, my advice to experienced community bankers.

Bankers, invest in young people with both your training budgets and your personal time and effort. Make sure they learn the right lessons and draw the right conclusions.

Don't let bad credit habits take hold or be tolerated.

Today's young people are the future of our business. Judging by our recent experiences, assumptions about how we will or should conduct our business should be put under the microscope.

What methods does your bank use to develop younger talent in community bank environments?

Please share them with your fellow bankers below.

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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