Developing a tight culture that will allow your community bank to excel anytime

By Jeff Judy

In many banks, belief that "culture" is an important factor in the institution's success waxes and wanes with economic conditions. Or, more accurately, the belief often varies counter-cyclically with those conditions—with the awareness of how a bank's culture contributes to its success increasing in more difficult economic times.

By culture, I mean the way strategies developed by the institution's leaders are implemented in actual practices by employees on the front lines. Do different levels of the bank share common views of what employees are supposed to be doing? Faced with a decision involving a customer, a business decision, an ethical dilemma or a regulatory issue, do employees in different locations and at different levels on the organizational chart generally come up with the same answers?

Do they have the same vision of how things work, of what is important, of which principles are sacred, of the goals the bank is pursuing?

When times are good, many managers regard questions like these as, well, fluff, touchy-feely stuff that does not really factor into the business. Get yourself a nice little recession, however, and skeptics become believers.

And matter of culture really hits home when bank leaders try to respond to changing conditions, when they keenly feel the need to be nimble, to implement changes in strategies and practices as quickly and thoroughly as possible. This last meltdown has been so severe that the most sluggish responders are already gone.

When the recession hit, the institutions where communication was frequent, where common vision was valued, where top-level strategies and frontline execution were closely matched, were able to adopt new practices much more quickly. When there are few gaps between the vision of the leadership and the way that vision plays out in daily frontline practices, you have what I call a "tight" culture. Everyone in the boat is rowing to the same beat, you might say, so that stopping, speeding up or changing direction are all easily done.

That kind of unified culture is at the same time resistant to, and amendable to, change. On the one hand, there's a certain inertia: The company doesn't flit from one faddish notion to the next. But when change is truly required or when it simply offers a significant competitive advantage, it is easier for a group that already knows how to work together to change directions, to carry out new strategies.

Where culture is neglected, each member of the staff listens to his or her own internal beat. Change is difficult to effect, opportunities slip away and hazards cannot be avoided.

Culture is particularly important when a situation cannot be resolved by a hard-and-fast rule, a line in a procedure manual or the outcome of a software algorithm. When there is a judgment call—make the loan or not when the score is right on the threshold, take action when a customer's financial health is worrisome, lean in favor of being a good corporate citizen versus making a quick profit for shareholders—that's when we really see whether everyone shares the same vision, the same standards, the same values, the same understanding of what it means to work for the community bank.

When everyone makes pretty similar judgment calls, when everyone has the same view of what is supposed to happen, it means that the community bank's leaders are truly successful not only in sharing their goals and standards and strategies, but in holding all levels and units within the bank accountable for acting upon that shared vision. It means they have worked hard not only to communicate how things should be done, but have paid attention to what really happens and

made corrections where they are needed.

And make no mistake, judgment calls are where you gain your competitive advantage. After all, your credit scoring system or credit analysis software produces pretty much the same answers as every other bank. Your product lines are not at all that different; your room to maneuver in pricing is limited. Making better decisions when the decisions are a little harder will determine whether you are a market leader or struggling just to stay in the game.

Brilliant ideas, insightful strategies and keen analysis are all wonderful things. But they mean very little if what's happening further down the organization is very different than what the leadership thinks is happening.

You need a system that reliably transmits your community bank's message throughout its organization, and that reliably translates that message into action.

That system is called "culture." Your community bank has a culture, for good or ill, whether you even use that word or not. Nurturing a tight culture that ensures consistency of word and deed, of vision and action, of "how we do things around here" at every level of the organization has, and will continue to have, an enormous impact on your community bank's success.

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