Build Your *Culture*, Build Your *Business*

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How Tightening Your Culture Can Make You More Nimble, More Resilient, and More Successful

A White Paper from

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Executive Summary

Culture is a business matter! By "culture," I mean *the consistency of responses to common business situations across levels, locations, and functions.* Without a high level of consistency in your business responses to customers, suppliers, shareholders, regulators, in all your business interactions, much of your work in devising strategies for financial success is wasted.

A "tight," highly effective culture:

- Leverages leadership thinking into front-line results.
- Allows much more nimble reaction to changes in market conditions, the regulatory environment, and other business factors.
- Brings efficiencies to operations that help your bottom line.

Drawing on decades of experience in helping banks assess their cultures, and working with them to develop cultures that will enhance their business success, I will discuss:

- Why culture matters to your banking business.
- Why having a "tight," effective culture that translates management vision into everyday execution is more important than the particular values, standards, and practices that you espouse.
- Why "judgment calls" are so revealing about your true practices.
- How easily bank management can overestimate the consistency of practices within the bank, and how more formal assessment can pave the way to better outcomes.
- How to detect symptoms of a "loose," ineffective culture, including the all important *customer perspective* on how your culture works.
- What steps to take to build a culture that will truly build your business.

If you believe that culture is a "nice" topic to consider in your spare time, you are yielding a significant competitive advantage to any rivals who correctly see culture as an essential tool for financial success. This white paper will point you toward leveraging a more effective culture into better business outcomes for your bank.

Culture Counts

Culture determines your bank's ability to respond quickly, efficiently, and effectively to changing conditions. Culture largely determines whether you truly implement the management strategies you have designed to give you a competitive advantage.

Far from a "nice idea" or "soft" concept, ***culture is a key element of your business success***.

I'll define what I mean by "culture" more fully in a moment, but there is no sense into going into fine details unless you believe that culture is important.

For better or for worse, recent economic events have clearly demonstrated the power of culture. The particular values, standards, and practices of some banks doomed them to failure when the recession hit.

More importantly, however, ***the greatest weakness for many banks that struggled in the downturn was that they lacked the "tight," effective cultures that would have helped them respond quickly to rapidly changing conditions.***

Why Does Culture Matter?

In a world where nothing ever changes, culture probably does not matter very much. *Is that the kind of world in which you do business?*

For now, let's think of "culture" as a "corporate response pattern," a tendency to react to business situations in certain ways. If you think about your own bank, and about your rivals -- and especially if you **think about the banks that have come through the recent economic disaster in reasonable health, compared to those that have disappeared** -- you can probably describe aspects of their "response patterns" fairly easily:

- **Level of risk**: you know that some institutions were comfortable with much higher levels of risk than were others, in a general sense;
- **Fad Mentality**: some banks take off after "the latest things," while others are more "wait and see";
- **Concentrations**: some are willing to place really big bets on what they perceive as a hot market or industry, while others carefully distribute their eggs across many baskets;
- **Standardization**: in some banks, every "deal" is practically unique, and every branch or region has its own approach, while others perform transactions in much the same way no matter where they occur or who handles them.
- **Leaders vs. Followers**: some banks were so afraid of being undercut by the competition that they blindly followed their competitors into practices that worked against their own success. Others determined for themselves how they should serve their customers, price their products, and run their banks.

Even if you're not sure how to define "culture", you certainly recognize different cultures associated with different banks in your market.

These are just a few examples of dimensions along which banks may vary. They are highlights of different cultures.

And they have been closely tied to the successes and failures in our industry since the housing market collapsed and the recession arrived in full force.

"Culture" is sometimes referred to as "the way we do things around here." You might think of it as the *personality* of an institution, in the sense that when you think of very different banks in your marketplace, you immediately associate them with different practices, different standards, different goals, and different styles.

And few things can be clearer than the fact that certain kinds of "bank personalities" led directly to trouble when the bubble burst.

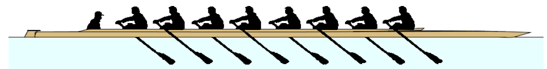
Responding To Change

Culture becomes even more important when *dealing with change* -- whether in the marketplace, general business and economic conditions, customer preferences, regulation, or any other significant factor in your business.

A "tight" culture, where consistency is high, provides a competitive advantage because you can adapt to conditions quickly.

A *"tight" culture*, one where consistency is high, *allows an organization to change the way it works much more quickly than does a "loose" culture*. That means that even if you are on the wrong path, or you get blindsided by a dramatic shift in the market, your culture can give you a chance to recover more rapidly than your rivals.

Think of a crew team, rowing a scull. When they are all on the same stroke count, the boat moves very efficiently and accurately. When everyone dips an oar into the water at a different time, progress is slow, and the team wanders all over the lake.



More importantly, a team where all the members work and think similarly responds quickly to change. If there is an obstacle, they can easily move around it. If they need to accelerate or slow down, they can do that with little wasted effort.

And when they need to turn around and head in a different direction, they can do that very quickly, too.

Develop a culture that lets you take advantage of change, to the benefit of both the bank and the customers.

In a "tight" culture, all of these adaptations are made **without** making customers suffer in the process. The staff's past experience and skills are leveraged for success in new situations, not abandoned. The institution enjoys the benefits of *rapid evolution in response to conditions*, rather than an endless cycle of starting over, or fruitless attempts to apply old methods to new demands.

If you do not pay explicit attention to your culture now, the only way you will find out whether your culture is helping you thrive or leading you to disaster is when you are faced with new challenges. And then it is too late.

I strongly believe that it is better to actively manage your culture, to deliberately take advantage of this powerful tool for business success. And I am sure that you recognize that the former management of some banks that are no longer with us now wish that they had understood their own cultures *before* the good times came to an end.

Colliding Cultures

How many banks have you seen closed down and sold off to a market rival, in the past few years? How many other banks have been weakened to the point where they were snapped up (and probably at a bargain price) before the government got involved?

The wave of acquisitions is far from over. We will be seeing this pattern repeated for some time to come, as the problems at many banks run very deep, and the recovery may just be too slow for those banks to hang on for better times.

And every time one bank acquires another, they import the attitudes, beliefs, habits, values, and standards of the employees of the acquired bank. That means:

1. The preferred culture is diluted by a sudden injection of staff who have not been immersed in the right culture; and
2. The new staff bring with them practices and viewpoints that belong to a failed bank – exactly the opposite of the kind of "cultural injection" you want.

"Culture wars" can greatly delay reaping the benefits of a merger or acquisition.

If you are not aware of your bank's culture, if you are not committed to explicitly monitoring and managing your culture, you are probably not prepared to lead the newly acquired employees to embrace your culture quickly and thoroughly. Without making that "corporate response pattern," that I talked about above, a consistent feature of every employee's performance, whether long time staff of your bank or newly brought in with an acquisition, the road to uniform practices, values, and standards will be a long one.

Many banks that gave little thought to culture in the past now find themselves devoting a lot of time and energy to wrestling with cultural issues as a result of an acquisition. Organizations that are paying attention to their own cultures *before* they acquire the employees, and the culture, of a weaker bank will be able to make the acquisition work much more quickly.

They can expend less time and resources on fixing the acquired bank, and move forward with building their business, compared to a bank that does not take culture seriously.

More Efficient Operations

You are already aware of the savings that standard practices, uniform procedures, and common systems can provide. But without a tight culture, without uniform use of those practices, procedures, and systems, you are not achieving the efficiencies you expect.

This is more than a matter of inconvenience. When different levels, locations, or functions are slow to respond to management directives:

- Time and energy that the leadership could apply to guiding the bank to financial success are *siphoned off* to try to hammer key messages home among employees. A loose culture requires many more memos, staff meetings, and training sessions to achieve a result. *Reiteration of the message*, louder and louder, is a serious *drain* on management resources.
- There is a *lag* in the implementation of any new practices, or the application of new tools. That means the return on your investment, whether that is time or money or both, will be realized that much more slowly. It definitely means that changes implemented in response to new business conditions may occur too slowly to be effective.
- As a result of that lag, the front lines are just getting comfortable with your last directive as you are sending out new instructions. They get confused, at best, and indifferent, adopting a "wait and see" approach, at worst.

A loose culture can divert more time and money into wasteful, duplicated communication, staff, and tools than you realize.

Just as importantly, you *know* that it is costly to run a bank when:

- Staff positions must be duplicated, because different locations have very different procedures in some functions;
- Several systems are used to support bank staff, when one common system could handle everyone's needs;
- Separate training, and documentation of separate procedures, are needed for different subsets of employees, whenever any change in practices is rolled out;
- Data and reports from different locations are difficult to compare, because they do not use a common approach.

Certainly, different markets need some flexibility in staffing, procedures, and systems. But when the only justifications for additional costs in these areas are that "we have always done it that way," when you find staff protecting what they are used to instead of looking for ways to work more consistently with others in the organization, **your culture is costing you money.**

What Does "Culture" Mean?

I look at *culture* as *the consistency of responses to common business situations across levels, locations, and functions*. Let me break down the components of that definition:

- **Responses: culture is not a set of beliefs, it is *what actually happens*.**
  Having a great "values statement" does not count for much. Assess your culture by the way employees actually interact with one another, and with customers, investors, suppliers, and other key players.
- **Business Situations: any opportunity to take action is an expression of culture.**
  That includes responding to customer requests, working with other staff to perform credit analysis, providing solutions through associates and team members, supporting effective administration, managing marketing, benefiting from technology, working with HR functions. *Whenever and wherever people interact in the name of the company, you are seeing culture in action*.
- **Consistency across locations, functions, and levels:**
  If we sampled similar "business situations" over time, space, and the organizational chart, would we see similar responses? Are the most common responses consistent with the officially sanctioned practices and procedures, the "map" that bank leadership has laid out?

Tight cultures respond to similar business situations in similar ways, regardless of level, location, or function.

I call a culture where that consistency is *high* a "tight" culture. Where there is a lot of variation in theory and practice across levels, locations, and functions, the organization is hampered by a "loose" culture. (For more about this distinction between "tight" and "loose" cultures, see the section below on "What kind of culture should we have?")

Culture is As You Do, Not As You Say

Culture is much less about what is *supposed* to happen and much more about what *actually happens* in the daily course of business.

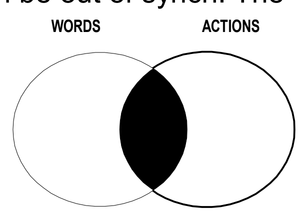
Converting management words into employee actions is the function of a tight, effective culture.

The official view -- mission statements, process guides, procedure manuals, guidelines, and all the rest -- is useful as a comparison point. Do the typical actions of employees match what is in the official documents and leadership statements? And does that match hold everywhere, or is it much closer in some parts of the organization than it is in others?

Why Consistency Matters

A loose, ineffective culture can show differences in several dimensions, some of which I have already mentioned. To clarify:

- First, obviously, **words and actions** can be out of synch. The front-line practices may bear little resemblance to official policy.



- Next, responses to similar situations can be very different in different **physical locations**. Each branch or region tackles the same need or event in a unique way.

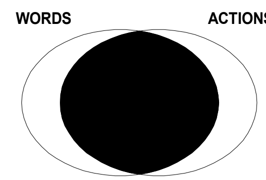
The opportunities for gaps to develop in the shared vision of your bank are infinite. That's why eternal, and explicit, vigilance are needed to protect your culture.

- **Functions** can also be inconsistent. Marketing is telling one story about their credit products, but the front-line staff are living a different one. Credit analysts vs. bankers vs. loan administration have three different views of any given transaction, with plenty of friction as a result.
- Responses also vary over **time**, and it is important to know *why* that is so for your bank. Market conditions change, products and services change, so naturally your responses evolve. But in some banks, *fads* come and go pretty regularly, so the same customer with the same need gets a different response at different times, and there is no underlying reason for the difference.

- It is actually quite common for different **levels** of the organization to be operating to different standards, all the while assuming that everyone else is doing what exactly what *they* are doing. Perhaps the bankers assume that certain standards are being relaxed, while approvers two levels up the org chart think they are tightening those standards. One level is focused on portfolio-wide sales numbers, another level is keen on managing risk. Differences across levels of the organization are among the most common things I see in the banks I work with, yet they always come as a surprise to the bank's management!

When interpretation of management vision differs across levels, locations, or functions, management strategies cannot have their full effect on the bank's fortunes.

Only when words and deeds are closely aligned, when management vision and front line execution are well synchronized and highly consistent with one another, do business strategies devised by the bank's leadership have a chance to play out in the marketplace. If people are *not* doing what you *think* they are doing, or what they have been directed to do to make the bank successful, *what is the point of all that strategic planning in the first place?*



There is no leadership where no one follows! To get a return on the investment of analysis, strategy development, management, and communication, you need a "tight" culture.

Culture = Seat Of Your Employees' Pants

Your bank's culture is most evident in the decisions people make when the rules are not clear. It is revealed in *judgment calls.*

When the answer is not dictated by a detailed or procedure or a software algorithm, your true banking practices are revealed.

If a customer's credit score is on the edge, do you play it safe, or override the recommendation? If a borrower is having a few hiccups, or less forthcoming with good financial information, do you take action, or wait to see what develops? When new customers arrive at the bank, do you load them up with every product you can, or do you only offer the items that are the best fit for their needs?

There are many, many decisions made in internal and external interactions every day that cannot be reduced to a paragraph in a procedures manual or an algorithm or formula in your software. People have to decide which way to go, and if different people, at different levels, locations, and functions, rarely come to the same decisions, you do not have the kind of culture that will make you adaptable, nimble, and responsive to challenges and opportunities.

What Kind Of Culture Should We Have?

Culture is a tool, not a goal in itself.

A tight culture is what makes it possible to live up to your values and standards, and to achieve your business goals.

The *consistency* I have talked about is the single most important aspect of your culture. It does not matter much what values and standards you preach to your employees *if their work behaviors do not reflect those values and standards.*

In other words, different institutions can have different strategies, different values, different goals, different standards. But they should all *share* a determination to tighten their cultures. When they have cultures where everyone in the organization responds quickly and uniformly to changes in the company's vision, and in designated practices, only then can they have confidence that the values and goals espoused by executive management are having an effect on internal and external interactions involving bank employees.

Each bank's vision should be unique. But banks with very different visions could be very similar in the steps they take to maintain tight, effective cultures.

Your Vision Is Unique

The banks I consult with often want me to tell them what their culture should "say." They want to know if it should be more conservative, or more aggressive. They wonder if they need "stronger values," or ethics training, or sales training, or a different approach to analyzing their customers and identifying their opportunities.

And they are disappointed when I tell them that those kinds of decisions have more to do with strategic planning than with culture per se. Those concepts should be discussed by the Board of

Directors, and among executive leadership. Those are difficult decisions about how the bank wants to do business, and what they believe will bring them success.

Tight Culture Is A Universal Need

What I advocate is a tight culture, one in which there is a high level of consistency across the organization. A tight culture is a powerful aid to business success, but it is no guarantee.

What is the point of developing strategies for your bank if they will not be implemented fully?

A tight culture simply ensures execution of strategic plans. It leads to action at the front lines that reflects the vision of the leadership team.

If that vision is sound, the bank will enjoy the full benefit of the leadership's insight and hard work. If that vision is not a good one -- if the bank's leadership has chosen the wrong goals and strategies -- a tight culture will, ironically, lead to problems all the more quickly, *BUT* **. . .** the institution will be able to replace poor strategies much more rapidly. *A tight culture identifies failing strategies early, making it possible to take action in time to minimize the damage they inflict*.

In a loose culture, wracked with inconsistency in responses to common business situations, leadership vision is not translated into daily business operations. Good strategies and brilliant ideas contribute *little*. On the other hand, sometimes banks with poor strategies and misguided goals can flounder along in mediocrity for quite some time, since a weak culture does not translate those strategies into action, either.

Your approach may be aggressive or conservative, your target markets and guidance around preferred customers may change little over time, or fluctuate vigorously with market conditions. Those are board decisions about the nature of your business.

The only thing I am advocating is that you *build as tight a culture as possible*. A tight culture ensures that your success is a true reflection of *what you meant to do*, with ample opportunity to improve your business strategies. A tight culture puts the bank's destiny in the hands of its leadership.

Don't We Already Know What Kind Of Culture We Have?

An effective culture does not just happen by itself. And if you haven't explicitly examined your bank's culture, you probably overestimate how tight and consistent it is.

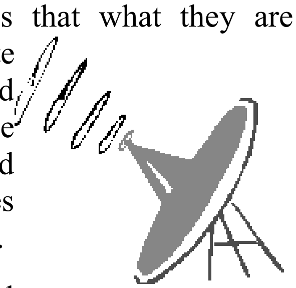
I doubt it.

Culture is truly something you have to work at, it does not happen by itself. If you are not giving regular and explicit attention to building and fostering your culture, *and* to assessing the results of those efforts, it is likely that you have little idea of how loose and inconsistent "how we do things around here" really is at your bank.

Certainly, you know how you *want* employees to handle business situations and work with one another. You know you have tried to get that message out, you remember the memos you have written, the meetings you have held, the training you have done.

Unfortunately, in one institution after another I have seen the management team absolutely shocked to discover the distance between their view of how things work in the bank, and what is actually done by the people who work with customers, or who perform support/operational services.

The problem? Bank management assumes that what they are *transmitting* is being *received*. They equate stating their principles, goals, standards, and strategies with implementing all of those things. But all that thinking and planning and hard work has little effect, as strategies "leak" out of all the cracks in a weak culture.



Being a visionary leader and inspirational speaker does not matter much if no one has their radios turned on, so to speak.

It Is Easy To Drift Apart

Culture is not just a banking issue. Wherever we find a company with many employees and several hierarchical levels in the org chart, we will see the potential for problems with consistency of business responses:

- Remember the old "telephone" game you played as a kid? One person whispers a message to another, who whispers it to someone else, and after the message has run through a reasonable number of players, it comes back entirely different.
- Look at your organization chart and figure out how many people are involved in getting the total message to your front line employees. There are plenty of opportunities for the message to drift, unless you monitor the results and reinforce the message when it wanders off target.

Weaknesses in corporate cultures happen in all industries, and in companies of all sizes.

- It would be naive to assume that every manager in the organization has the same level of enthusiasm for every directive from bank leadership. Look around and you will find that the employees reporting to Individual A are consistently reinforced for making different judgment calls, for taking a different approach to common business situations, than are the direct reports to Individual B. And the longer that goes on, the more closely employees focus on what their supervisors say, compared to what the executive team says.

"But We Are A Small Bank . . ."

Smaller institutions, with just a few branches, often tell me that they do not have to worry about culture. Employees across all levels and functions are in frequent contact with each other and with their management. Constant interaction maintains a common vision, and leads to common responses.

Sorry, but it just is not that simple.

This kind of informal community within an organization can easily lead to consistent *language* without leading to consistent *action*. Everyone uses the *same words*, but they may *mean different things* to different staff. I have often worked with smaller banks where management was astonished at the variability in the way different employees, even within the same branch, approached common situations.

By itself, the use of common language within your organization is a very poor indication of consistency of business behavior throughout the bank.

After all, think about some of the common phrases thrown around your bank every day. Are you absolutely sure everyone will define the terms below the same way, when it comes time to make those "judgment calls"?

a good customer

the benefit of the doubt

satisfactory progress

well-documented

profitable relationship

"right on the line" for creditworthiness

Assuming that everyone is using the same vocabulary to mean the same things can make you blind to significant variability in how people do their work.

Without explicit monitoring and nurturing of the culture, *assumptions* about how consistently everyone approaches their work can lead to some very ugly surprises. The same file is used by some bankers to recommend credit approvals where others recommend declines. The same business may generate a file with thorough documentation to support assumptions and projections when handled by one team, and the bare minimum to "get the deal done" when handled by another.

Everyone is talking the same language. But they are not all doing the same things, even as they use the same terms to describe their actions.

Again, just paying attention to what people say is rarely enough to nurture a tight culture. Especially in a small institution, there is a strong tendency for everyone to get used to using the same vocabulary. But that is little guarantee of consistent action.

What Are The Symptoms Of A Loose Culture?

What are some of the signs that might lead you to look more closely at your culture? What tips you off that different players are taking different approaches, and that your diligent strategizing is not paying off because implementation is inconsistent?

Legitimate Differences

Different units of the company *do* work somewhat differently. Marketing and credit review will never look at credit exactly the same way. A branch with a lot of agriculture business will have some differences from a suburb that brings in mostly consumer and small retail customers.

That's all fine. *I am not advocating lock-step unison on every procedure or decision.*

*Having a tight culture, where vision and execution are highly consistent throughout the organization, does **not** mean that there are no legitimate differences in practices anywhere within the bank.*

But listen carefully and you will probably hear some things that tell you that particular functions, management units, or locations are hardening their positions and protecting them within their own silos. They have stopped being *different for a reason*, and begun to believe that they *should* always be different, that that's their *right*.

- How often do you have to adapt very basic banking procedures into several different versions? How easily can you predict which managers are going to require individual adjustments to the next new procedure you roll out?
- How often do demands for these tweaks start with, "But we're different . . .", rather than with the aspect of the market or other objective factor that underlies the need for an adjustment?
- When new policies or procedures go into effect, how efficient is the training? Can you bring together people from different units to undergo common training, at least to a degree? Or does one department or branch always need its own version?
- What do statistics tell you about exceptions, procedural violations, documentation issues, responses to problem customers, and other indicators of how standard practices are carried out? Do they regularly vary across units? Can you easily predict where you will see higher numbers in certain problem categories?
- Are some suggested practices or changes held back because you know that "so-and-so" will vigorously resist them?
- Are procedures, processes, and systems effective because of what they have in common, or do you manage separate, parallel systems? Is every proposed change to "how we do things around here" a single change, or several individually engineered changes?

Customers Often Know

The best run banks go out of their way to make sure they know what customers think about how their financial matters are handled. You can count on your customers to see weaknesses in your culture, from the outside, that you might not have detected from the inside.

Customers notice things like:

Even if you do not see the problems a loose culture creates for you, your customers experience the impact of your culture every day.

- When they are passed from one person to another, it is like starting over with the bank.
- Or even worse, when dealing with one employee, the customer gets an earful of what's wrong with another staff member, or another department. Others within the bank are blamed for the problems the customer is having.
- They see your marketing messages and compare them with how they are treated. Your advertising emphasizes your long history in the community, your safe, conservative approach, and then someone tries to hand them a bigger loan or mortgage than they asked for. Your marketing messages emphasize personal attention, but they feel like they are dealing with interchangeable robots who simply do what their computers tell them to do.

Listen to your customers, even survey them explicitly with the right questions, and you will get a lot of pointers about where the weak spots are in your bank's culture.

The View From Center

Staff who perform centralized functions for many locations or functions are often keenly aware of the inconsistencies in practices that point to a loose culture.

As a trainer, I often see the "silos" within a bank. After working with them for a while, I can predict whether participants from different regions are going to react differently to the message management has hired me to deliver.

In the same way, centralized functions -- credit analysis, loan administration, credit review, and so on -- can often tell you about different, parallel sets of "rules of the game," whether that varies by supervisor, location, or function.

- A *little* variation is natural and realistic. A *little more* is inconvenient and inefficient.
- A *lot more* variation in how things are done, when not clearly tied to different markets or business conditions, is a sign of a loose culture that is just wasting all the effort put into devising strategies for business success.

How Can We Assess Our Culture?

Subjective opinions are not enough to build a culture that will make your bank more successful.

I have already mentioned some of the *internal* tools you have to help you compare actions to words, deeds to intent. **Your administrative and review functions** can be very valuable, as can **customer feedback**. Individuals who work across functions and locations -- **training, human resources, technology** -- can point to differences in style and substance, within the organization.

Explicitly ask key questions about expectations and behaviors, through **surveys, focus groups, employee meetings**, and similar tools. With all of these approaches, remember that the crucial measure of culture is not what respondents believe, but *whether different respondents believe the same or different things.* If there were a corporate "official favorite color," it matters less what that color is (value) than whether different levels or locations embrace different colors, "red vs. green" (consistency).

Integrating cultural indicators into data collection and reporting greatly boosts the effectiveness of your culture.

The wisest banks look at what *happens*. They pay attention to problems that arise, and to indicators like overrides, problem loans, length of customer relationships, customer satisfaction, regulator advice. Their administrative, audit, and review functions are valued, respected, and listened to. They believe what they *see*, not just what is *said*.

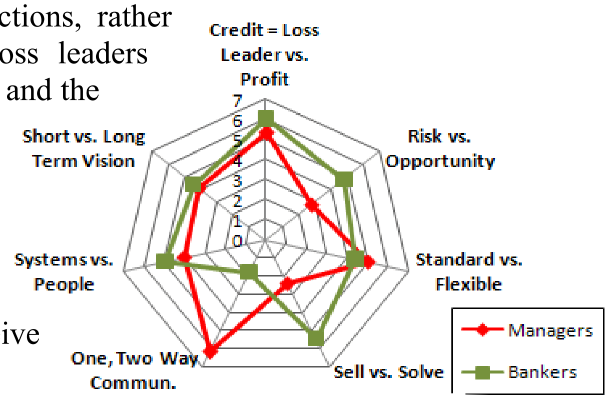
Technology can play a major role in tracking what happens in your bank, across many functions and levels of the organization. As you review and update **data collection and reporting** strategies, look for opportunities to **manage information** that can help you assess consistency, and to evaluate responsiveness to changes as they are implemented. *Develop additional data collection tools, if necessary*, because the tightness of your culture is a major determinant of your business success, well worth the investment.

Survey Example

Some organizations use general employee surveys, probably originating from the HR department, to monitor employee beliefs at different levels of the company. But assessing the role your culture plays in your business success usually requires some *deliberate discussion of banking practices*.

And most institutions will get a much better picture if they perform some customization, if they use tools that focus on specific tasks, policies, and issues that are important to their bank, described in terms and vocabulary that fit their organization.

The chart below is just a partial display of a subset of actual data comparing management and banker responses to a series of questions about how bankers are expected to do their jobs. As you can see, in some areas agreement is strong: the need to show a profit on credit transactions, rather than using them as loss leaders would be one example, and the importance of systems vs. people would be another.



But it doesn't take much scrutiny to see that bankers perceive management communications as a one-way street, a very top-down approach, while managers believe that communication runs in both directions. Management believes they are listening to the front lines, but *that's not what the front lines believe*.

Culture is all about the "gaps," about differences in the viewpoints held at different levels of the organization.

Results like these are usually surprising to the management team that requests the survey. Another way of saying this is to note that management responds with what they *think* the front-line staff are experiencing and doing (we also include support staff, analysts, review, etc. in these surveys). They expect all the lines in the graph, from the different populations, to line up.

They rarely do, but until you ask the questions, the gaps can be very hard to detect.

Closing Gaps, Opening Communication

These gaps or differences in viewpoints are what matter most. In the above example, exactly what the bankers think is not nearly as important as the fact that *they think something very different from what management expected*. Communication from the top of the organization has not been as effective as it could be, and values, standards, and strategies devised by the bank leadership are not reflected in the daily activities, attitudes, and beliefs of the people who implement management's vision.

The great benefit of seeing clear data, as in the example above, is that it starts a discussion.

Explicit culture assessment gives you a starting point for debate and discussion that can be enormously valuable to your business.

I cannot tell you how vigorously management debate how to implement practices, to reach employees with their message, to hold all staff accountable to upholding the company vision, **after** they see the *gaps* between themselves and their employees. A careful assessment can lead to answers to very important questions that otherwise *may not even get asked*.

Again, the management represented in that chart believed it had already achieved two-way communication. Without seeing the results of this survey, they had little reason to question the effectiveness of their communication efforts. But with those data before them, they began to explore ways to get closer to their communication ideals.

The value of an explicit assessment is that it takes you past *assumptions* about the soundness, the strength, the tightness of your culture, and opens the way to seeing what can be improved. Formal assessment changes communication patterns in ways that greatly improve your chances of building the culture you desire.

Obtaining Quality Data

Anonymity of responses is critical to meaningful results, especially in smaller organizations. You are asking front line employees whether they have the same vision as their bosses, and their bosses'

bosses, and those employees are keenly aware that their answers might not be the "right" ones.

Take the necessary steps to ensure you get honest information from staff at every level and function in your bank.

If they fudge their responses to tell you what you want to hear, you have just wasted the time, effort, and money it took to do the survey.

It is not impossible to ensure anonymity within your own organization, but it is challenging, and *perception is king*. It does not matter in the least if you are protecting respondents from identification unless *they* believe they are safely anonymous.

To give respondents the security to answer honestly, it can be useful to place the assessment in the hands of an outsider. Getting a third party involved can help get to the truth of the matter, and give company leadership more confidence in the data.

How Can We Improve Our Culture?

If you do not think culture is truly a business issue for your bank, you cannot build a more effective culture.

The first step is to take an explicit stand on culture. Unless bank management believes that . . .

1. culture makes a difference to business results;
2. effective culture is managed, it does not happen on its own;
3. it is worthwhile to devote time and resources to explicit review and development of the culture on a regular basis;

. . . the bank will end up with a loose, ineffective culture in which many individuals are operating almost independently of leadership guidance.

Among the steps that show this commitment to developing effective culture are:

- including culture as a regular agenda item for the Board and executive management, perhaps quarterly or semi-annually;
- making it clear to department and location managers that they will have to justify variations in procedures, process, and training, rather than assume that they can do things differently;

- incorporating discussions of culture and its importance to the business in training and ongoing communications;
- adding a cultural perspective to reviews of audit results, loan administration/documentation/exceptions, etc.;
- obtaining information from customers, informally or through surveys, that sheds light on the uniformity of the culture in the bank;
- periodically performing a formal, objective assessment of the culture.

Keep in mind that "more of the same" is rarely enough to alter the culture. Just shouting the same message louder and louder is rather like "crying wolf," and produces diminishing returns.

A better path to improving your culture is to **look for obstacles to implementing management's vision**. Sometimes *processes and systems* actually work *against* the stated values and standards of the organization. In other instances, particular *managers and supervisors*, closer to the front lines, may be distorting the message handed down from the leadership team.

Building a tight, effective culture requires more than just talking about it. Look for real obstacles to implementing management's strategies, and remove them.

When I see a loose culture in a bank, with wide variability in business practices, it is usually produced by a obstacles like those mentioned, combined with an "enabling" or permissive attitude that overlooks variations in practices across different functions, locations, and levels. **Re-engineering obstacles** out of the way, **explicitly affirming a tight culture** as a corporate value, and **holding management at all levels accountable** for upholding that culture will give you the nimble and responsive culture you need to win in your marketplace.

About Jeff Judy & Associates

Jeff Judy is a nationally known consultant and trainer for community banks, widely hailed for his energy in the classroom, and his willingness to "tell it to you straight" in the board room. With a team of longtime associates, he serves the banking industry through consulting with individual banks and holding companies; through seminars on a wide range of topics in commercial and consumer lending, safe credit practices, and relationship development; and through his published articles and interviews, including his bi-weekly e-zine on banking and training, *Jeff's Thoughts*.

Jeff regularly works with banks to help them develop more effective cultures. He assists with assessment, whether by meeting with staff at various levels and locations, reviewing objective data about consistency of practices, or using survey tools to explicitly evaluate the culture on multiple dimensions. Jeff has developed the Strategic Alignment Profile (SAP) survey, typically customized to the institution. Jeff will administer and analyze SAP data, assuring anonymity (and honesty) of responses, and present the analyzed results so that bank leadership can see the gaps between management's vision and the front line's understanding and implementation of that vision.

Jeff also helps bank clients tighten their cultures by facilitating discussions across multiple levels, advising banks on communication and cultural assessment, and delivering training to help ensure consistency across bank operations.

Jeff and his team strongly believe that simply following the competition is a path to mediocrity at best, and to serious business problems at worst. But to stay ahead of the competition, and of changing rules, conditions, and customer needs, a tight culture is an essential tool. As a consultant, Jeff promotes truly effective strategic planning, including specific plans for culture development.

Jeff' Judy & Associates brings special expertise to key elements supporting effective strategic planning and implementation, including credit policy development, terminal risk analysis ("migration"), credit process, risk management, credit analysis, and training and communication.

If your bank's culture needs strengthening a significant competitive advantage over your rivals, through greater adaptability, nimbleness, and responsiveness to conditions, please contact *Jeff Judy & Associates* to discuss how we can help you.