

BECOMING MORE OF A MICKEY MOUSE ORGANIZATION

by [Steve Brown](#)

In the annals of corporate management, one unheralded name is Dan McCallum. Working at the Erie Railroad in the 1850's, McCallum was asked to come up with a corporate organizational chart. To accomplish this task, he copied what he saw in the Union Army. In doing so, he produced the first corporate organizational chart. It looked much like what we use today in that it had the CEO on top and a hierarchical structure underneath that rolled down by divisions. The problem is that while a typical organizational chart is helpful on detailing authority, it is not much help for anything else. In fact, it can be argued that the typical organizational structure inhibits collaboration by placing everyone in silos and by creating a vertical command and control structure that does not work well on the horizontal. Loans reports to a CLO, while deposits reports to a branch manager or chief deposit officer. The result of vertical reporting is that often different objectives may be in conflict that is created only through an artificial organizational design. Enter Walt Disney. After about 20 years in business, Disney was tired of his organization getting in the way of itself. Like many a banker, Disney realized that most ideas never made it to market because 80% of the battle was within the organization. Instead of spending energy and resources on making movies, Walt had to spend time quelling infighting, managing egos and uncovering hidden agendas. Each group, Disney noticed, spent more time trying to protect their boss and their fiefdom than focusing on producing a superior customer experience. After producing Snow White and the Seven Dwarfs, Disney went to an organization structure as pictured above. The chart is recognition that it's the process that is the objective, not authority. While "Direction" is in the middle and has the final say in the finished product, no single part of the organization is more important and all must function together to produce the final product. Layout sometimes reports to Animation who sometimes reports to Ink & Paint who sometimes reports to Layout. The circular nature of the design helped instill the notion that reporting lines change and that authority is conveyed not out of formality or fear, but out of process and inspiration.

For banks, this is an important idea to keep in mind, as customer service, innovation and production are often hindered by the interactions of credit, risk, technology, sales, marketing and management. What should be at the center of a Disney-like bank organization chart is the production of the best customer experience for a desired level of profitability. Like a conductor in an orchestra or a director in a movie, the goal is to produce a quality customer experience at every turn. To do this, make the bank's resources revolve around a central group (they may not be the CEO or President) responsible for both customer profitability and customer satisfaction. Few companies in the world have melded profitability and customer satisfaction like Disney. In this environment of idea-based financial services, telecommuting employees and contract workers, resources such as risk and technology (that are leveraged by multiple functions) can be strained. Having an organizational structure more like Disney's may be just the thing to free your bank from rigid lines of authority and elevate the customer to the center of the action.

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BANK NEWS

Ugly Loss

JPMorgan Chase CEO Jamie Dimon said the company lost \$2B on trades tied to the movement of corporate debt securities after an "egregious" failure in its chief investment office and that "volatility" in markets could cost JP another \$1B in losses this quarter. Dimon said that in hindsight "the new strategy was flawed, complex, poorly reviewed, poorly executed and poorly monitored."

Law Firm Lending

The near financial collapse of NY based law firm Dewey & LeBoeuf's reminds bank lenders that once again law firms shouldn't be highly leveraged. The general rule of thumb for bank C&I lending to law firms remains that total debt and lease obligations should be less than 15% of unbilled hours + accounts receivable.

For Sale

Hit by losses in its home country of Greece, the owner of Marathon National Bank of New York (\$887mm, NY), Piraeus Bank, said it will sell Marathon. Piraeus has owned the 13 branch bank since 1999.

U.S. Expansion

The Fed approved applications from some of China's largest banks to expand in the U.S. The Fed will allow Bank of China and Agricultural Bank of China to establish new branches and will let Industrial & Commercial Bank of China acquire up to 80% of the U.S. operations of Bank of East Asia. All three will also be allowed to form bank holding companies.

Bernanke Comments

Speaking in Chicago at the annual Fed conference on banks, Chair Bernanke commented that banks will have to "adapt to the post-crisis regulatory and economic environment," do more around liquidity and that loan delinquency rates on real estate "remain elevated."

Muni Securities

In an effort to expand the bank qualified market, the ICBA is backing legislation that would increase the \$10mm annual issuance limitation to \$30mm.

Small Biz Boost

A study by the parent company of Network Solutions of business owners finds 69% believe mobile marketing is critical to their growth over the next 5Ys. Reasons included providing better service to existing customers (38%); attracting more local customers (36%) and gaining a competitive advantage (34%).

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