Not The Time To Be Too Casual

by Steve Brown

We've followed the story of the merger dance between the two largest ready-to-wear men's suit retailers, Men's Wearhouse and Jos. A. Bank with interest and a little amusement. The suit-sellers have alternated between who is to be the suitor or the suitee in this awkward marriage, as offers and counteroffers have lighted up the M&A universe. Finally the dance has ended with Men's Wearhouse announcing it had reached agreement to buy Jos. A. Bank for $1.8B. We find this particularly interesting as earnings of both companies have been sub-par due to changing customer preferences. It all began years ago with Casual Friday policies which are found in some 95% of offices and now around 45% of offices allow business casual all the time.

In banking, big changes have also been occurring as our readers know only too well. For us, we know casual dress is prevalent in the banking industry because we visit banks as a regular part of our business. We still put on a suit to call, but often when we walk in the door of a bank, customer service representatives assume we are either bank examiners or the FBI--people just don't wear suits as much as they used to.

Determining appropriate casual wear for a business setting is a little tricky these days. That is especially true in banks, where it is of primary importance that customers trust the professionalism of the staff. We find many banks have staff wear corporate logo wear when not wearing suits to make sure customers feel connected to the bank. This is a decent technique as it makes employees immediately identifiable to customers. Having everyone wear a bank shirt also removes some of the distasteful management task of determining among employees what neckline is scooped too much or which pants are too baggy and ride too low.

Studies have shown that corporate casual policies also improve employee morale. Some 81% of HR directors in a recent study said their employees viewed casual dress at work as a benefit and 47% felt it improved productivity. For employees, 51% said they did better work when casually dressed and 46% said they would choose a position with a casual dress code over another otherwise equal position.

In times of high unemployment and scarce jobs, employee morale has been important to organizations, but has not necessarily been a driving force. Now as the labor market improves, banks are beginning to once again make strong efforts to keep their best employees. Competition from other institutions may not just be for your customers but for your staff as well.

We found some HR surveys that offered a number of suggestions for keeping your best people around. These included the importance of communication including both bad and good news. Be honest with your employees, as in an information vacuum, gossip proliferates that can undermine confidence in management. An important subset of communication is being clear about the bank's policies and rules, as well as expectations. Fluidity or inconsistent application makes everyone wonder about the firmness of the goals of the organization as a whole.

Having a competitive pay and benefits package should also be a no-brainer, but consider taking it a step further. Provide opportunity for employees to advance and give educational opportunities for further development. Be certain your package keeps pace with others and monitor pay for existing employees to be sure it keeps pace with the level of pay for new hires.

Talented employees always have options, just like your most desirable customers. Your best defense against competitors who would take your customers will be having the best staff possible. Take a close look at employee management practices to be sure they are up to the challenge of a more competitive job market.

BANK NEWS

Equities

CNNMoney reports 52% of people currently own stocks vs. 65% in 2007 (a 20% decline).

More Leverage

CNBC reports investors are borrowing more cash than ever on margin to purchase stocks, adding concern a tipping point could be coming. So-called margin debt has reached $452B in Jan, the 7th straight month of new historical highs and a 63% increase from 2012.

Equities

USA Today reports 44% of stocks trading in the U.S. are below their 1997 peak.

Global Borrowing

The Bank of International Settlements (BIS) reports global debt levels have reached $100T as of mid 2013 vs. $70T 6Ys earlier. The BIS indicated more companies were borrowing by issuing debt than through bank loans given increased regulation.

Risk Management

A BNY Mellon study finds 80% of institutional investors say they expect risk management to play a larger role in the investment decision process in the future, 73% expect to spend more time on investment risk issues and 68% expect to spend more time on operational risk issues.

Savings Rate

The Commerce Department reports the personal saving rate (savings as percent of disposable income) declined to 3.9% in Dec vs. 5.8% at the end of 2010.

Spending

The Bureau of Labor and Statistics (BLS) reports the average percentage of annual spending for Americans goes toward: housing (33% of all spending), transportation (17%), food (13%), retirement (10%), miscellaneous (10%),.health care (7%), entertainment (5%) and clothing or personal care (5%).