



Banking in Times of Change: How the Graduate School of Banking at LSU Builds Better Bankers

By Tony Graydon

Since the near death spiral of the financial market collapse of 2008 terms like enhanced global cash flow analysis, troubled debt restructure (TDR), margined liquidation value, watch committee, interest rate risk management (GAP Analysis), non-interest income sources, Texas ratios, tier 1 and tier 2 capital ratio have become all too familiar. Banking has certainly changed over the past four years and as most of my elder bankers tell me, things will continue to change!

During the years leading up to 2008, all things were positive, loan goals were reached relatively easily, deposits grew, and my confidence was up. I considered myself a fairly educated banker, having started my career as a teller while working my way through college, working in retail collections, credit analysis, and then as a commercial lender or as some shops call it “commercial relationship manager.” I had even gotten married and had two kids and was on top of the world — what could go wrong?

Well, I had a few concerns. Who would buy all the spec houses that our bank had funded? Where would the builders come from to buy lots in the residential developments we funded? What businesses would rent space in the shopping centers built by my loan customers? Despite these concerns, I continued to make loans because that was my job, right? And my goal? Wasn't it to grow the bank by 20 percent each year?

Then, like a game of musical chairs — the music stopped all at once. As I looked around, there were no chairs to sit in. All the success I had felt, suddenly had me second guessing my worth. Quickly, I was a humbled man! Life changed from “top producer incentive trips” to preparing “watch reports.” And instead of making loans, I spent my days working them out (not fun stuff for a producer).

Fortunately, my management team realized that all of this was a “perfect storm” of sorts, something with shared responsibilities among borrowers, bankers, and a poor economic environment. I

learned more in 12 months than I had in the prior 12 years as a banker. In fact, I jokingly told several superiors that after this experience, “I might one day be like one of those mean, old, grumpy credit people!” I finally understood why words like “liquidity and equity” were so important to the credit side of the house and phrases like “skin in the game” finally had new meaning. It was also during this time of turmoil that I was finishing up my final year at the Graduate School of Banking at LSU.

One of the most valuable parts of being at LSU during this time is that it helped me realize that I was no different from others. For two weeks each year for three consecutive years, I shared experiences with other bankers from across the U.S. and Mexico who were living through their own boom and bust times just as I did. We talked both in class and outside of class about markets issues, our banks, and the future of our industry. Being able to share these experiences with others is how you learn at LSU. The classroom instruction is A+. The school employs highly qualified economists, consultants, regulators, and seasoned bankers as the faculty of the school. Classmates are all high achievers in their respective organizations. The course work and home study problems are challenging, thought provoking, and time consuming. Are they fun? Well, let's just say some more than others, but each student will learn something from every one and become more “well rounded” and “a generalist,” as George Schloegel, former chairman and CEO of Hancock Bank would say.

The first year, known as the year of the green book, is a bit intimidating. There are 250 or so other freshman to get to know. And, navigating the LSU campus takes a few days. But soon, I realized that while some classes — like asset liability management — covered completely foreign material for me, others — like lending — were where I felt confident. To me, that's what makes the school unique.

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It takes average bankers out of their comfort zone and forces them to learn aspects of banking that feel completely foreign. For example, the school gave me a better understanding of why we price loans and deposits as we do as well as and how to communicate this to less seasoned employees and to our customers. Having a good grasp of every aspect of banking has made me more well rounded and capable.

I also added value to my organization beyond my daily duties. We learned bank marketing, regulatory law, attended leadership and management courses as well as many other areas of banking of which I had never been exposed. We were encouraged to challenge management in our banks and offer up ideas to improve the profitability of our organizations. Lastly, during our senior year we participated in Bank SIM, a computer simulated program that allowed us to run our own bank and see what our senior management faces on a daily basis. All in all, the experience at LSU made me confident in what I already knew and humbled and eager to learn more about what I did not and still do not know. The school diploma even counts as credit toward MBA programs at participating schools.

Why should your bank consider identifying employees to send this year? Well, while many banks have shifted training internally during these troubling times, I would argue that senior management in banks should be doing just the opposite. Investing

in people insures the future leadership of any organization and banking is no different. Banks do not have the time or resources to do all that is required to run a bank and offer an A+ training program for its future management. While internal programs are great to train the masses, why not invest some time and resources into your “up and comers” by sending them to LSU this spring? In doing so, you will help the development of future leaders for succession planning, maybe learn a few things from them about how to make your bank more profitable, and have a group of well rounded associates that can help you by communicating and teaching the mission to others within the company when they complete the program. ✦

To the banker attending the school...

- 1) Is it easy? *No!*
- 2) Is it fun? *It is what you make of it, just like anything else!*
- 3) Is it challenging? *Absolutely!*
- 4) Will you be a better banker for having attended and more valuable to your organization? *No question!*

Taking the next step....

Consider sending a banker or two to the Graduate School of Banking at LSU in 2013, and I assure you that you will be happy that you did. It is both a time commitment and monetary commitment on behalf of the company and the student, but I assure you the return that your company and the banker will realize will far outweigh the initial investment.

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