

# HR Banker

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## Executive Summary

### 1 Training & Development

Leadership training may seem like a luxury during economic hard times, but a professor at the Columbia University Business School argues that times like this underscore the need to develop capable, inspired leaders. He describes an executive education program that can inspire bank leaders to think differently and not rely solely on flawed models to support their decision-making.

### 3 Legal Update

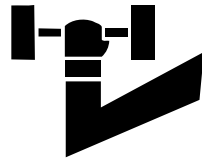
A bank employee sued after a bank president withdrew a job offer because of the results of a drug test. The test showed prescribed drugs in the employee's system, and the judge refused the bank's request to dismiss her claim.

### 6 Health & Safety

A research organization compared sick leave policies in the United States to those in other countries. The lack of mandated sick leave, it concluded, makes us more vulnerable to a pandemic.

### 8 Compensation & Benefits

A bank in Spain is cutting costs temporarily by offering employees up to five years of partially paid leave plus health benefits to pursue personal or professional aspirations.



## Training & Development

### A Time to Study Leadership *Models No Match for Executive Ability*

**E**xecutive education may be regarded as an extravagance during times of economic stress. Besides, what bank executive has the time right now to attend certificate programs, seminars, or other offsite professional development events? Most senior bank officials say they are preoccupied just keeping their institutions on high ground until the storm subsides.

Dr. Paul Ingram of the Columbia University Business School, however, suggests a counterintuitive view. Executive education is no luxury but is, instead, a key survival tool in today's environment. "In our increasingly complex global economy, this really is the time to study leadership," says Ingram.

Ingram is the Kravis Professor of Business at Columbia University and Faculty Director of the Columbia Senior Executive Program (CSEP). He teaches courses on leadership, organizational design, and strategy and brings a national and interna-

tional business perspective to his teaching, research, and writing.

Ingram believes that the intertwined financial and economic crises have revealed the limits of our current models of macro-economics and finance. "In the summer of 2007, the flaws in our risk modeling were beginning to surface. By 2008, it became clear that bankers had been making decisions based on an incomplete understanding of complex financial instruments and markets," Ingram says.

The professor's observations should not be taken as a blanket criticism of modeling, he cautions. Models are extremely useful research and management tools, and the experts who develop them provide an important means of analyzing the markets, pricing, risk, and so on.

But, Ingram asserts, "We also need to understand that models cannot fully guide us on every aspect of managing a product or business. Instead of placing full

trust in flawed and complex models, we need to develop leaders who can create a vision, communicate their goals, motivate others, and design organizations that properly allocate information, responsibility, and accountability.”

Ingram advocates the cultivation of something called “meta-knowledge” — or an understanding of what we know. This understanding, Ingram explains, leads to a more realistic view of what we *don't* know and the uncertainties inherent in any course of action. Even if we are equipped with modeling tools, the essence of management decision-making remains acting with both knowledge and intuition in the face of uncertainty.

A related problem that contributed to the depth of the crisis was overconfidence, Ingram believes. “Business leaders have a natural tendency to be overconfident, relative to their actual knowledge on a given matter,” says Ingram. “They feel as if they are supposed to know the answers or be capable of making accurate quantitative forecasts. A lot of people in financial services fell into this trap; they were overconfident in what they thought they knew about risk and market behavior, and they were wrong.”

Having fallen back to earth, financial services leaders have an opportunity to discern what the crisis reveals about leadership and decision-making, Ingram believes. “We are at a moment in financial services when organizational change and new strategies are necessary for survival and recovery.” There is no better time, Ingram believes, for

executives to refocus their minds and energies on their own capabilities to problem-solve and remake their organizations.

### **Something Novel**

CSEP is an example of a rigorous and interactive executive education program that is attuned to the tumultuous and complex environment in which businesses currently operate. The program integrates experiential learning, team challenges, lectures, and discussions, and it uses New York City as a classroom. Topics addressed during the four-week program include decision-making, strategy setting, building an organization that reflects the strategy, integrating strategy with financial analysis, board governance, ethics, organizational change and control, communication, innovation, value-based leadership, discovery-driven planning, and executive well-being.

Participants attend lectures and discussions led by recognized faculty members from the Columbia University Business School. The learning is enhanced through interaction with the other participants — each of them leaders in their respective businesses from around the world — as well as field activities.

During the spring 2009 CSEP program, for example, participants visited the Frick Museum to explore the symbols of leadership. Another unique session was held at the legendary Lenox Lounge in Harlem, where participants experienced the art of collaboration in

the context of jazz. Says Ingram, “What looks like an improvisational art form actually has a structure. We were able to see how, through the skillful use of an underlying collaborative structure, an innovative leader can get the best out of every individual to create something novel.”

### **Something Worthy**

A hallmark of the CSEP program that is especially appealing to community-oriented bankers is a service component that draws on the collective skills, experiences, and perspectives of

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the participants to advise an actual nonprofit organization working for the common good in the community. This spring's CSEP class assisted Casita Maria, a 75-year-old nonprofit in the Bronx that operates an after-school arts and education program aimed at closing the achievement gap for kids in the city's Hispanic community.

In the fall of 2009, Casita Maria will move to a new \$35 million facility that will house both the nonprofit and a New York City public school, The Urban Assembly Bronx Studio School for Writers and Artists. As it prepares to occupy its new building, Casita Maria faces a number of organizational, operational, financial, and strategic hurdles that the CSEP partici-

pants were asked to address.

They really jumped in, according to Ingram. Organized into working groups, the CSEP participants performed financial analysis for Casita Maria, advised the organization on cash management and other financial issues, and helped it to focus its mission, create a detailed business plan, sharpen fundraising, and improve communication — all on a pro bono basis.

The CSEP participants took charge of Casita Maria's challenges and used their own experiences and skills to apply business-style decision-making to a nonprofit's management culture. "In the process, the group's own structure and leadership emerged," says Ingram, "and they did some fascinating things."

Ingram recalls the different constituents in the room when the CSEP working groups gave their final presentation to the Casita Maria board, management, and staff during week four. "There were inevitable tensions among the different perspectives in the room, but the CSEP group was very skilled at navigating them. These are people who run companies and are accustomed to change and conflict. We got to see their brilliance in that context."

Moreover, says Ingram, the executives obtain great satisfaction from making a difference for the community in a very real way. "Nonprofit problems can be messy, and the participants tackled that complexity and used all of their management skills and commitment. They had to dig deep — much deeper than doing superficial things like writing a check or attending a benefit. They assumed responsibility

for the problems of the community organization, worked hard to solve them, and were ultimately moved and changed — inspired — by the experience," says Ingram.

### Reward and Retain

CSEP's model of deeper, more meaningful commitment to community programs is of special interest to bankers who can take it back and apply it in their home cities and towns. "CSEP's community-based project makes a lot of sense for bankers in terms of how to make a more direct impact in their communities," says Ingram.

From a personal enrichment perspective, an immersion program like CSEP is a reward for talented executives whom the

bank wants to retain. "One of the things that affects how people feel about their jobs is whether they think they are doing something good. If a company's highly valued executives spend time on something they regard as worthy, evidence is that their job satisfaction is higher and they will stay longer," Ingram notes.

And of equal importance, they gain new knowledge, skills, and ideas for steering their organizations through these turbulent times.

The next CSEP session will be held October 4–30, 2009. For more information go to [www4.gsb.columbia.edu/exceed/programs/detail/10407/Columbia+Senior+Executive+Program](http://www4.gsb.columbia.edu/exceed/programs/detail/10407/Columbia+Senior+Executive+Program). ■■



## Legal Update

### Applicant Challenges Bank's Use of Pre-Employment Drug Test Results

**T**he Americans with Disabilities Act (ADA) specifically allows employers to require job applicants to take and pass a pre-employment drug test. So when an applicant's test turned up positive for a potential addictive drug, the bank employer believed it was within

its rights to rescind a previous job offer. The applicant disagreed. She sued, claiming the bank's use of the drug test results was illegal.

#### What Happened

In 2007, R. Sue Connolly