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Firm Helps Banks Ease Into Investment Banking

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Though investment and commercial banks keep trying to make themselves over as full-service financial institutions, one difference is proving hard to overcome: culture.

Commercial banks competing for corporate finance business wrestle with getting their traditionally risk-averse lenders to market fee-based financial expertise.

The difficulties — role definition, internal organization, compensation — can have grave implications for the banks' competitive edge. Pamela Brown is a banking veteran who made her own transition from commercial to investment banking. She started a consulting firm in 1991, Brown Performance Group, to help banks ease their way into investment banking.

The firm, based in Acton, Mass., works with bank managements to define roles, promote cross-selling, and create teamwork across functional groups. She assists clients with corporate finance training, relationship management, and product knowledge.

"This tends to be where the organizations drop the ball," Ms. Brown said. "There tends to be a lack of shared expectations, and clearly defined roles. That's what leads to the conflict."

In the last six years, she said, she and her four-person team have worked with about 10 firms in the process of building capital markets businesses — Banc One Corp., First Union Corp., and G.E. Capital among them.

Though the banking industry has changed radically since she started her consulting practice, the problems she has to tackle have not, she said.

"A number of commercial banks have independent bankers who come from other organizations operating with their own sets

of policies and beliefs," she said. The banks "have not yet built a new culture that pulls them all together."

Another part of the challenge is getting commercial bankers to cast aside their upbringing as risk-averse principals and asset-protectors.

"Investment bankers are taught to take risks, and commercial bankers to be risk-averse," Ms. Brown said. "The investment bankers are focused on finding ways to make deals move forward, where commercial bankers have worried more about why transactions shouldn't."

Ms. Brown began her career in 1980 as a lender at Signet Banking Corp. She moved to Crestar Financial Corp. three years later, and when that bank started providing tax-exempt bond financing, private placements, and interest rate management services, she went over to the investment banking side as a capital markets specialist.

In her consulting career, Ms. Brown is winning praise from clients.

First Union Corp. hired Brown Performance in 1995 to help its professional development program refocus its sales executives from making loans and taking deposits to selling fee-based, capital markets products.

"We needed help getting the investment and commercial bankers to work together," said Douglas Steele, director of First Union's development program.

He said First Union got tremendous results from Brown Performance. Capital markets sales went up fivefold.

"There are a lot of firms out there that do corporate finance training, but we didn't find anybody as flexible and as attuned to the issues. She was unique," Mr. Steele added. ◇