

INTELLECTUAL CAPITAL

Insights & Opinions from Financial Services Industry Thought Leaders

Interview with Robert Vandenberg

Former Regional President and COO
Lakeland Bank



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What’s your backstory?

I grew up in New Jersey and have spent most of my life there. I'm one of two children, but my wife is one of seven, so I went through a new dynamic when I got married, particularly around the dinner table. I attended Catholic grade school and high school, and after all that control and regimentation, I attended Monmouth College where I rented a room right on the beach with other guys. As a result, the first chapter of my college story lasted only 6 months. My dad welcomed me home by telling me how much my rent was and suggesting that I get a job.

I worked at a supermarket and did two years at the local community college to get back on track. I was married shortly after that and continued my education by attending college at night over the next 5 years. My wife took a job as a school bus driver to help support us, so I could ultimately attend school full time while working at a sporting goods store at night, and eventually I graduated from Ramapo College with a degree in business administration. During that period, there was one night a week that my wife and I called “junk night” because we’d drive around town with our son in a baby sleeper looking for furniture that people had thrown out that was better than what we owned. When people say to me, “You don't know

what it's like to be poor,” I always tell them that story.

How did you get started in banking?

After I graduated, I sent out a large number of resumes like everyone else, which landed some interviews, and three potential job offers. Two of those offers were from companies in New York City, but they both involved nearly a one-month gap between when I started and when I would receive my first paycheck. The third job offer was from New Jersey Bank, a nice community bank which had around \$2.5 billion in assets at that time. At the bank, my first paycheck would be one week after I started. Since I was married with a child and limited funds, my decision to pursue a banking career was based on a desire to pay the next month’s rent. In fact, New Jersey Bank even waived their rule that prohibited taking second jobs, allowing me to work in the sporting goods store three nights a week and Saturday to help make ends meet.

What was your initial experience in banking?

I started in an entry-level role, but I was older than most of the other people in the department, and perhaps a bit more motivated. Initially I was a credit analyst, and then became credit manager. I was moved to the international department and became head of that department. Toward the end of my 11-year tenure at New Jersey Bank – which had become Midlantic/North – I was in charge of loan administration.

While at Midlantic, I had begun to dabble in technology, and automated the international department with a software program called “Enable” that I paid \$149 for. At that time, Enable was a dinky little company that came up with the idea to integrate Word, Excel, and Database; and now that structure is the backbone of applications such as Microsoft Office.

Even though I was responsible for loan administration, Midlantic asked me to automate other functions, including their cash management program. Eventually, they offered me a position in IT for the bank, which I was not really interested in, to their surprise, feeling that future CEOs would come from lending. Around the same time, I was solicited by National Bank of Sussex County (NBSC) to help with their loan problems. In fact, it was on their primary regulators’ list of Northeast U.S. banks that were most likely to fail.

You left a successful bank to join a failing bank?

I was 39 years old and figured that every challenge had an opportunity at the other end. I had very good relations with people at the regulatory agency, and about six months into my tenure there, I told the examiner in charge, “This is really painful. Either close the bank or give me enough time to fix it.” We had to let people go, and it was tough. I was the outsider, and I had to focus on building teamwork. We built a team that had to make hard decisions and work together, and people on that team stayed with me all the way through my tenure at Lakeland. Ultimately, the bank was kept open by a vote of two to one; and we turned it around. We came out of all the consent orders.

A few years after having all the restrictive orders lifted, there was an opportunity to sell to another local bank, Lakeland Bank, at a strong multiple. The Board and CEO felt that was the best move for the shareholders. In truth, I wanted to keep going, but we really didn't have enough capital to make a difference. Lakeland Bank had a strong capital position, but they had an outdated infrastructure and an aging management team, so the combination worked out well for both banks. During this process, I had been appointed as the President, in addition to my role as Chief Loan Officer and an inside director, to facilitate the transition.

Did you learn any lessons from the Lakeland merger?

Importantly, we were able to save most people’s jobs. We brought over all our automation and our people integrated very well. It was the foundation for a great team and consistent growth in earnings.

Based on prior M&A experiences, I developed a very different approach when I managed M&A at Lakeland. I would look at the entire product and staff menu and determine what was the best of everything, and how we could integrate our combined strengths. The investment community focuses first on cutting expenses, but I always believed that the best mergers and acquisitions were those where you also win on the revenue side. We always had strong gains in revenue at Lakeland related to our M&A transactions. It is critical to reduce expenses, but if you put one and one together and it equals less than two on the revenue side, that's disappointing.

You spent the balance of your banking career at Lakeland?

I remained the President of NBSC, because we left it independent under the Lakeland Holding Company for two years before we consolidated the banks. I served as Chief Lending Officer for the holding company for a number of years and helped to assemble the management team. Then I served as Chief Operating Officer and ultimately Regional President and COO, with the functional departments at Lakeland reporting to me except for finance, legal and audit, until I transitioned those roles to the new COO and retired from the bank.

What's the toughest part about bank acquisitions, in terms of integration?

Culture is often what makes or breaks an acquisition. If you've been purchased, you have a very different perspective than the purchaser, so I always took the time to understand the culture of any bank we acquired and included it in the due diligence thought process. You can't keep everybody on the team, and I told people that. But I would also tell them, "I know what your job title is, but think about the skills you bring to that job." Many times, we found people with skill sets that were transferable to areas where those talents were needed. Many people discovered that they could do very well in a new role that was available.

Our culture was based on respecting people. I set up middle management groups where I would solicit information from people, and I always told them, "I want to hear what you have to say. At the end of the day the buck stops at my desk, but you people have a different perspective. You are on the line, dealing with customers or supporting back-office interactions, so I need your insights to make good decisions." People need to be respected.

What was Lakeland's acquisition strategy?

Many of our competitors were envious because we were considered a favorable acquisition partner. We went directly to prospective partners, explained what our operating philosophy and culture were, and why we thought a combination made sense for both sides. This approach was very successful and resulted in many banks approaching us to be part of our family.

Where is banking industry consolidation now, and where is it headed?

I see more consolidation, particularly in urban areas. The more density that you have, the greater the likelihood of consolidation. There are still opportunities for banks in smaller niche markets, but they will have to deal with scale and efficiency. A lot of people think that banks under \$1 billion can't survive, but I don't believe that. There will always be a need for smaller banks in particular markets, and they will succeed if they have innovative management that's willing to accept partnerships with FinTech companies, so they're able to have a smaller footprint but still can deliver the scale of products offered by larger competitors. It all depends on the customer demographic.

One underlying factor that will drive bank consolidation regardless of location is the talent drain of senior managers retiring over the next decade. If banks can't find the people to replace their leadership, they will have to sell.

Will brick and mortar banks ever become a thing of the past?

Lakeland underwent a rebranding, which included changes to the footprint of its branches, which like most banks had been oriented to support operational activities, such as check cashing. We redesigned the layout using a lot of glass, open areas and video screens, which transformed the space into a consulting and sales facility. Our underlying philosophy was that if you purchase a TV online, it makes little difference whether you buy it from Best Buy or Amazon. But for most people, their financial situation is personal and confidential. There is a need in some routine situations to transact or receive service in an automated manner. There will also be a continuing need for face-to-face interaction with a human when you seek guidance and support regarding your personal finances. I don't think it will ever be one-size-fits-all when it comes to people's financial security.

What are the competitive advantages of community banks?

The biggest advantage of community banks is their engagement in the community. A lot of community bank employees are on charitable boards or engaged in local organizations. They have direct contact and personal relationships with the people who are their customers; whereas in the big banks, their customers are often just a number, and their community involvement is a marketing angle rather than deep engagement. As community banks have gotten larger, they've

had to deliberately focus on fostering customer engagement, to maintain that competitive advantage.

At Lakeland, I always answered my own phone when I was in the office, and one day I answered a call from a customer who asked me, "Who's the idiot that made this decision?" I said, "Ma'am, that idiot would be me." I spent time to understand her complaint. I didn't change my decision but made some suggestions on how it might be made more acceptable to her. Our conversation ended with, "I'm surprised you answered the phone because at my other bank, I can't talk to anybody." As it turned out, this customer referred many other customers from her big bank to me, simply because I answered the phone. Community banks need to be as efficient and effective as bigger banks, but they can never lose their ability to have personal contact with customers. Quite frankly, that is one of the most enjoyable parts of the job.

What's the long-term impact of COVID on community banks?

The pandemic continues to have an impact on bank staffing, with people either wanting to work from home, re-thinking their careers, or leaving the workforce altogether. Automation of operational functions is certainly part of the long-term solution, but that risks the loss of the personal touch as community banks become more automated. The automation trend needs to be carefully managed.

It's understood that banks will need to deliver more efficiently. Most community banks can't afford to engage a large IT staff, so they will

have to establish partnerships with qualified outsourced providers. They will also need to find other ways to communicate and engage with customers; for example, using data analytics to better understand customer behavior and to identify opportunities.

Do you think community banks are in a better position than large banks to attract and retain staff?

I really do. Small scale has some tangible advantages, in terms of how you can manage communication. In large organizations, communication is either by email, or you join a webinar with a thousand people and after two minutes, nobody's listening. In a smaller organization, it's also easier to do fun things, like wearing Halloween costumes or hosting community events, that foster team bonding, and a shared sense of purpose. I think that employee engagement matters. If you work from 9 to 5, and all you do is look at a computer screen, I wouldn't want to work there.

Are you fully retired now?

After I left Lakeland, I was fully engaged, acting as the general contractor for a house that my wife and I built on Shelter Island. Dealing with building inspectors, managing cost overruns, and getting people out to an island to perform the work during COVID kept me very busy. After that project was completed and having gone from a highly engaged position as a banker, all of a sudden, I felt like a dinosaur, with no purpose in life. It was a very tough and often depressing time for me.

Of late, however, I've taken on some advisory roles for banks and FinTech companies and have also been helping my son with his custom contracting business, and my grandson with a coffee shop he owns. I also am involved with the Karen Ann Quinlan Hospice.

You're President of Karen Ann Quinlan Hospice Charitable Board. How did that relationship begin?

My wife was always active in the Red Cross, and wanted to do something more, so she started as a hospice volunteer, and that was my first exposure to hospice. Karen Ann Quinlan Hospice has a Memorial Board, which deals with operational issues, and also has a Charitable Board, which is the one that I head up. We deal with the finances and help with fundraising. I've been there 25 years now and we have a very sound financial foundation. We've been able to

open a residence, a bereavement center, and a satellite office.

I've had family members, including my mother, who have gone through hospice, it's just a wonderful experience. I remember the day a woman came, and she used oil on my mother's feet and brushed her hair. She was within days of dying, but she never looked so beautiful and peaceful. It's something you never forget, and I wanted to be able to provide that support for other people.

Is there someone or something that's served as your North Star or source of inspiration?

My father worked for Royal Dutch Shell in New York City, and sometimes I would go with him to his office. I remember asking him, "How come that person doesn't look like he's working as hard as you?" He would always tell me, "It's a work ethic." He taught me that success is achieved by those who know they can succeed. Over the course of my career, I also learned that true leadership is being able to pass that knowledge on to others. I've had more than 700 people working for me, and I enjoyed helping every single one of them. It's what really drives me.

Any guidance for someone considering a career in banking?

Primarily because of the changes in how banks interact with customers, I think it's a great time to explore banking as a career. You won't be bored, because the pace of change continues to accelerate, which presents a lot of opportunities. Senior talent will be aging out of banking over the next 10 years, and that presents a great opportunity for new, younger managers who can become the future leaders of these organizations. Being a trusted advisor is something of value and when done well, it's truly fulfilling.

Bob Vandenberg's banking career spanned more than 35 years, working for regional banks as well as community banks in various leadership roles. During his banking tenure he participated on the Fiserv Data Analytics Advisory Board, taught at the Commercial Banking School in Oklahoma and was speaker representative for Lakeland Bank on television and radio shows.

Bob has been involved with the local County Chamber of Commerce, was the Chair of Sussex County Community College (SCCC) for over 10 years and was instrumental in its active growth. Bob has also been on the Karen Ann Quinlan Hospice Charitable Board for about 25 years.

The awards that Bob has received include the Bergen Community College Medallion of Merit Award, SCARC Honors Award, Boy Scout Distinguished Citizen Award, and Habit for Humanity Builder of the Year Award.