

Bankers Choosing Write Words

The Five P's of Effective Writing

by Richard A. Hamm

This article is the first in a series that examines writing skills and common issues faced by bankers. The *Journal* seeks your examples of bank writing—good and bad—to use as examples in future articles. Send examples to Beverly Foster by fax to 215-446-4101 or by e-mail to bfoster@rmahq.org

Think how wonderful it would be to write short, concise memos that clearly explain risk management issues. Better yet, to write memos that result in the action desired and do the job of explaining complex situations for all of our banking constituents, from credit officers to regulators.

The key is to follow the “Five P’s of Effective Bank Writing:”

1. Purpose
2. Preparation
3. Putting It Together
4. Polish
5. Pizzazz.

Embedded within the revised, one-day version of RMA’s “Business Writing for Bankers”

program, this approach helps bankers to improve their written communication skills. Further, with the explosion of e-mail as a common tool of internal and external communication at banks and other risk management companies, writing skills have re-emerged as one of the most important skill areas. Good writing skills lead to more efficient use of time, better sales results, and better customer service.

This article focuses on the *purpose* of the writing task, especially the best format to use. The next article will discuss how to *prepare* on three levels, including the important step of getting the reader’s attention.

Many writers proceed to the keyboard or notepad without first asking five basic questions about the purpose:

- What do I want the reader to do?
- Who is the audience?
- What topics need to be covered?
- What supporting ideas and evidence are needed?
- What is the best format to use?

All writers need to answer these questions, but bankers face unique issues in each category.

What Do I Want the Reader to Do?

The most common situation faced by bankers is a request to approve a loan or a modification of

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IN GENERAL, A CREDIT ANALYSIS SHOULD BE NEUTRAL AND LIMITED TO THE KNOWN FACTS. HOWEVER, CONCLUSIONS MUST BE DRAWN AND A GOOD ANALYSIS HAS A WELL-FORMED OPINION OF THE CREDIT QUALITY AND THE IMPORTANT RISK ELEMENTS.

an existing credit arrangement. Another common situation is to update the credit file on a situation involving a borrower. Also, bankers in customer contact areas need to ask for the business. The key element of all three situations is to know what you want the reader to do, then make it clear to the reader.

Perhaps the best way to do this is with the “subject” line in a memo or e-mail. A subject line is also effective in letters. Our readers are busy, but most will at least scan the subject line upon opening a memo, e-mail, or letter. For e-mail, especially, it is helpful to make the most use of the subject line as possible. In most e-mail systems, the recipient will see the subject line in his or her “inbox.” So, go ahead and give the date, time, and location of a meeting (for instance) in the subject line. The recipient doesn’t have to open the message to get the information.

Short of a descriptive subject line, most writers go ahead and make the purpose or request known in the first paragraph of the written item. Either way, get to it quickly, or busy readers will move on to something else.

Who Is the Audience?

The next step is to identify the audience. Your tone (formal or casual) and word choice will be

very different when writing to a superior within your organization, compared to a peer or subordinate. Think about the difference in writing to the president of your company, versus writing to a fellow manager, lender, or analyst.

Similarly, in communications with customers, your relationship will dictate the tone and word choice. When in doubt, a good rule to follow with customers is to use a more formal tone.

Beyond these obvious internal and external audiences, credit analysts have the tough job of writing a general opinion that is likely to be read by several different groups. In general, a credit analysis should be neutral and limited to the known facts. However, conclusions must be drawn and a good analysis has a well-formed opinion of the credit quality and the important risk elements. In a future article, we’ll examine the issues faced in writing about financial performance and trends.

Finally, all bankers must be careful to keep in mind a hidden audience. That is, many written items can become evidence in court, due to the advent of lender liability lawsuits in the 1980s. While these lawsuits have become less numerous in recent years, bankers must be careful. Here are a few guidelines from “Business Writing for Bankers:”

- *Do* write documents with a view that they may be obtained by an adversary or competitor.
- *Don’t* write anything you would not be willing to have appear on the front page of a newspaper.
- *Do* use precise language and remember that your words can be taken out of context later.
- *Don’t* overstate a view for the sake of argument.

Which Topics Need to Be Covered?

Knowing the goal and the audience leads directly into determining the topics to be covered. In almost all banking situations, the aggregate credit exposure and other risks need to be disclosed. This often dictates the level of internal approval and also helps identify the policies and procedures that need to be followed.

One of the dangers when considering topics can be called the “Goldilocks Syndrome.” That is, the writer sometimes assumes that the reader knows nothing about the issue, then goes on to write a document that is too long. Other times, the writer assumes that the reader already knows the situation, then writes a piece that is too short and omits key facts.

Good writers carefully consider the goal and the audience, and then come up with topics “just right” to make a document that is clear, concise, and meaningful.

If necessary, make an outline of the topics. This helps to get them arranged in the proper order, such as steps in a process, sequence of events, sources of

repayment, risks and mitigants, strengths and weaknesses, components of financial statements (balance sheet, income statement and cash flow statement), and so on.

What Supporting Ideas and Evidence are Needed?

Now that the topics are identified, the next step is to begin listing the important ideas and evidence to support the topic and achieve the goal. These support items can be arranged in a number of ways, from most important to least important, negative to positive, or even from least con-

troversial to most controversial.

For bankers, an important element of gathering the ideas and evidence is the concept of intellectual commitment and discipline. As outlined in the original, two-day version of “Business Writing for Bankers,” it includes:

- Providing all the facts.
- Properly interpreting the facts.
- Resisting the urge to jump to conclusions.
- Being objective by providing the pros and cons.
- Differentiating between fact and opinion.
- Stating sources of information.
- Admitting errors.

What Is the Best Format to Use?

This becomes an interesting discussion within the “Business Writing for Bankers” workshop. Figure 1 summarizes some of the key advantages and disadvantages of the types of communication available to us. Some objectives, such as a written record of proceedings, require that a letter or memo be used. Time or location may dictate e-mail. Urgency may limit you to the telephone. Whatever the situation, be aware of the disadvantages as you move forward. See how many advantages and disadvantages you can add to Figure 1.

Figure 1 Advantages and Disadvantages of Various Formats		
Format	Advantages	Disadvantages
Letter	Most formal Gets attention Establishes written record	Cost to compose, type and send One-way communication
Memo	Can be formal Effective for large groups of recipients Establishes written record	Less formal Perceived as impersonal
e-mail	Usually not formal Quick Perceived as personal Not likely to be screened	Can be forwarded to many Informality leads to sloppiness
Hand-written Note	Gets attention Shows that you care Old-fashioned	Old-fashioned Very time consuming Legibility
Phone Call	Quick Can hear verbal reactions Two-way exchange Voice mail options	Screening Voice mail obstacles Can't see body language/reactions No written record
In-Person Visit	Most personal Good for tricky situations Can see body language/reactions Two-way exchange	Most time consuming Travel cost Schedule conflicts No written record

Summary

Clarity and ease of understanding are overriding goals of any writing piece. By carefully understanding your purpose, you set the stage for an effective and efficient written document. Next month we'll examine how to prepare and get the reader's attention. □

P.S. Caught you looking! Studies show that direct mail readers notice a postscript 80% of the time. This and other “junk mail” techniques can be applied to your writing in order to grab attention and get results! More next month.

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