



The

Board Chair Forum

Opening the door to new ideas

Newsletter

Gerrish Smith Tuck, Consultants and Attorneys

October 2021

In this month's edition of *The Board Chair Forum Newsletter*, we take a look at some lessons learned and some ideas created through some of the recent Fall strategic planning sessions we have been facilitating. We explore some of the core issues that consistently arise in strategic planning sessions and how various organizations address those concerns. We also explore some of the pitfalls and difficulties when an organization begins looking at new ways of doing things, and some interesting marketing concepts.

The Fall strategic planning session has certainly been active and one of the beauties of getting to do planning across the country for various sized organizations is seeing how each organization can adopt their own unique process, format and outlook and yet each organization is still effective in their own manner of outlining a plan for the future. We hope you are conducting planning on either a formal or informal basis and if we can be of help in some of your efforts to kick off the new year or in the Spring, please feel free to contact us.

Happy Reading!

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Board Chair's Summary

- ◆ Why is “Communication” Always a Strategic Problem?
- ◆ Your Planning Efforts Do Not Have to be Perfect
- ◆ People: The Common Problem
- ◆ Do Your Strategic Initiatives Need a Strategic Plan?
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Why is “Communication” Always a Strategic Problem?

In just about every planning session, we do in every bank all across the country, if you ask for what a potential weakness of the Organization might be it seems people always respond with “communication”. It’s then ironically funny if you bring that issue up at the planning session and ask for someone to explain where they see communication issues, the response is normally a total lack of communication! No one speaks up at all! Perhaps, therein, lies the problem. However, at a recent strategic planning session we conducted where we were faced with this issue, one of the directors had, what we think is a great comment. His comment was that corporations don’t have communication problems; people have communication problems. His point was that when participants in a survey speak in terms of there being communication issues, they generally mean one specific person has communicated improperly to them, not given enough feedback, was too critical, told an off-color joke or any other manner of using language that the recipient thought was incorrect. We’ve even seen this where if you boil down to what they think

are the true communication problems it's that they don't like how long the emails are that they receive from the boss or something similar.

So, keep the principal in mind that corporations don't have communication issues; people have communication issues. That will help you focus in on where the real issues lie and help you to try to resolve those. Perhaps using less email (where a lot of people infer tone or demeanor) and more walking down the hall to talk to people face to face could help. Consider, as Board Chairman, how communication issues impact your Board as well. Are there Board members who dominate the meeting (certainly not the Chairman). Are there Directors who rarely speak up or voice their opinion? Perhaps consider adopting the rule one Chairman adopted which was on every matter that required a vote he required every Director to say something for or against the matter before the vote was taken, no exceptions.

So don't shrug off comments about poor communication within your organization. On the other hand, realize that often where communication is identified as a problem, it's a people issue, not a corporate issue.

Your Planning Efforts Do Not Have to be Perfect

Does everything have to be perfect? In almost all facets of our lives as well as all facets of banking, perfection may be the goal but normally something short of perfection is acceptable. That may permeate everything from the way you run your Board meetings to how you engage in strategic planning. For example, a perfect strategic planning session would be one where you efficiently raise only the few key true strategic issues there are, there is open robust debate on both sides, a general consensus is reached and a concrete decision is made to pursue a specific set of actions to accomplish the goal outlined in the discussion. That almost never happens, though. Often our planning sessions meander through various discussions someone brings up a related point but not really a critical point and other nuances. But if we're generally making progress and we ultimately circle back around to the key issues and we come to some general consensus

on the top areas then the less than “perfect” process or format can lead still to wonderful results.

As the Board Chair, think about that and your role. Remember the phrase that is often very true that “perfect is the enemy of good”. That means that sometimes insisting on perfection can take away from accomplishing something otherwise very good. Similarly, when we see banks evaluating opportunities for purchasing another entity, rarely is a deal absolutely perfect but it may have enough positive qualities and return enough value that perfection may not be an appropriate goal. Similarly, we have seen organizations refuse to pursue the allocation of resources for a stock repurchase transaction because they just did not think they would get that much participation and unless they could be certain that a particular number of shareholders would participate, they decided against it. As Board Chair we think it’s appropriate to encourage your Board members, your management and your Organization to perhaps strive for perfection but a strong recognition that something short of that may still be a great result for your institution.

People: The Common Problem

A common strategic planning theme we are seeing these days is what one bank termed “the people problem”. What they really meant is the dilemma faced with how to attract and retain the very best employees. We are seeing that difficulty in all parts of the country both with the national problem there seems to be in the labor market along with more localized concern for banks in rural areas being able to attract the type of talent needed to run an increasingly sophisticated community bank.

Most of the organizations that we counsel try to bridge this problem in a number of ways. First is, the obvious, which is to have a strong compensation structure composed of elements of a salary, incentive compensation and equity-based compensation. However, we are seeing new concerns come into the decision such as work life balance, flexibility of time schedules, remote work opportunities and other employee demands. One of the interesting ways this has impacted many financial institutions is a reevaluation of bank hours. Do you really need Saturday hours at all?

What do you think would happen if there were no lobbies open and no drive thru lanes open on the weekends? Our guess, people would swing by the bank on Friday or Monday, they would not get angry and move their money to the bank across the street just because that bank is open from 9:00 to 11:15 on Saturday.

In the current merger and acquisition environment, retaining the best employees may require providing those employees with change in control contracts to protect them in the event there is a transaction or at least to mitigate their fear whether founded or unfounded. Similarly, retention bonus contracts can be provided to key individuals you want to make sure you retain if you are potentially considering a transaction. Moreover, from an operational standpoint, if you're running your bank fairly efficiently without a lot of excess overhead and a greater level of personnel than needed, then it's likely even in an acquisition that very few employees will lose their jobs. Therefore, as Chairman, you might insist on having management update the Board on your efficiency ratio and track it over time to see how your overhead expenses, your personnel costs and the like may be impacting the value of your organization. The bottom line, is not to ignore "the people problem" whether you are buying, selling or remaining independent.

Do Your Strategic Initiatives Need a Strategic Plan?

Earlier we referenced that your strategic planning doesn't have to be perfect to be effective. One of the ways we have seen that manifested this year is with more organizations deciding on the front end that they really wanted to be as strategic as possible but part of that effort was to get as many ideas on the table as possible. That meant that neither the facilitator, nor the Chairman or the CEO, would cram down on the group the fact that they had to come away from the meeting with six specific detailed steps they were going to take. Rather, we have seen very effective strategic planning where the effort was to outline the larger strategic initiatives generally desired to be pursued and getting a clear consensus on those. In many cases the result is to say, for example, we have fundamentally decided that we need to improve technology, both customer-facing and operationally. But, that's as far as it went. So, as we often say, once

the strategic initiative is decided upon, the strategic initiative needs its own strategic plan of how to get it accomplished. The obligation is for the management team to go in and work up the specific tactical and operational steps that will be taken to accomplish that overriding strategic initiative. So, as the Board Chair, consider whether, as part of your monthly meetings, in your strategic planning sessions or in other day to day affairs, you should keep your team focused on the biggest strategic initiatives and then delegate the additional work to fill in the gaps and develop the more detailed underlying strategic plans. That keeps the Board focused at the strategic level and it assigns to the management team the heavy lifting to detail out the steps to accomplish the initiatives.

Find Unique Marketing Tools

Community banks often find the most unique marketing tools. We've recently been at banks where one of the key employees is involved in television ads, radio ads, billboard advertising and the like. We're not suggesting you recruit talent just based on how photogenic they are but bankers by and large are a pretty good-looking crew aren't they? Other banks take on more unique types of marketing and advertising such as through unique sponsorships in their communities year after year (the Christmas train, the corn maze, etc.). This is normally where you see true community bank spirit at the local level.

One client we recently visited had what we also thought was perhaps the most simplistic yet most "genius" marketing initiative. They provided one key product to just about any community event which requested that the bank provide this product. As you might suspect the product would come complete with the bank's name and logo on it as perhaps a not-so-subtle reminder of who their hometown bank was. Can you guess what the product might be? Napkins! So, if a local church was holding a potluck dinner, they could simply contact the bank and get a load of napkins for the crew. If the local football team booster club was having a barbeque, the bank would be more than happy to provide some napkins. If the Industrial Development Board was hosting a prospect in town to look at a new building, sure the bank would be more than happy to provide napkins. We

love the way community banks are creative in the most basic ways which have the greatest impact. Sometimes a napkin may have a greater marketing punch than all the money in the world you would want to spend on your new technology upgrade to develop geo fencing. Sometimes more simple is more smart!

Meeting Adjourned

Fall is here throughout much of the country! However, in some parts of the country, Fall came and went in about three days it seems like as we've battled scraping ice trying to locate our heavy jackets and other wintery endeavors. So, enjoy the colors while they're here, bundle up and if we can be of assistance let us know. Also, don't forget about the Board Chair Forum that will be held January 13-14, 2022 at the Ritz Carlton in Naples, Florida. There are still a few open spots left and if you are interested in attending you may register at <https://barretbanking.org/landings/community-banking-board-chair-forum/>.

Until next time,



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