

The



Chairman's Forum

Opening the door to new ideas

Newsletter

Gerrish Smith Tuck, Consultants and Attorneys

January 2018

Welcome to 2018! At a recent strategic meeting, someone asked the question, “Where does our bank want to be in 2020?”. It seems like that has always been a long time in the future where an organization might be making an extremely long-term strategic plan for where they want to be at some future distant time, but 2020 will now be upon us in a mere two years! So, as we kick off 2018, we begin looking at the types of things banks are encountering, and what the Chairman’s role continues to be in shaping the future for their organizations. We hope you find useful information in this month’s edition and throughout the year and we are always interested to hear your feedback, comments and ideas for future newsletters. We look forward to seeing many of you throughout the year visiting your banks and at the various conventions around the country.

Happy Reading!

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and

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Chairman's Summary

- ◆ Do not kill your deal before it gets started.
- ◆ The Board's role in strategic planning.
- ◆ Avoid strategic planning mistakes.
- ◆ Occasionally, revisit the Mission Statement.

No Hostile Offers

A recent article was touting the dos and don'ts of a hostile takeover by community banks. We have a simple answer, don't. Rarely are acquisition transactions in the community banking realm "hostile". That does not mean an aggressive buyer will not make an unsolicited offer, but that is a far cry from a hostile offer.

In the merger and acquisition arena, the Chairman must play a central role in helping to strike the right balance of being proactive yet not being hostile. The Chairman may even choose to set up a special Acquisition Committee on either the buy or sell side so that the entire Board does not have to be involved in every initial decision, but, obviously, substantive critical matters are brought before the entire Board.

If your organization is considering being a buyer, as Chairman, make sure that you give some critical thought to the strategy. We have seen a number of deals never get off the ground, candidly, because the buyer insulted the potential seller with a low-ball offer, offended the seller in the way they approached them or otherwise just assumed that they could dominate all of the discussions and negotiations. As we tell our clients who are on the sell side, just because you are a seller does not mean you lose negotiating leverage. In today's market, no bank "has" to sell. Rather, as buyers, you want to give them a reason why they will want to sell. A hostile offer or an improperly structured approach will likely kill a deal on the front-end. So, as Chairman, make sure you are helping set the right tone.

Should the Board be Involved in Strategic Planning?

We facilitate scores of planning sessions across the country each year. One of the questions that always comes up is what level of involvement either the Board or the management team should have. It might not surprise you to know we have clients who have the Board of Directors handle strategic planning entirely without the management team and then simply present the strategic plan to the management group for implementation. Other banks have the management group prepare the entire strategic plan without the Board's involvement and simply present it to the Board for ratification.

As Chairman, do you want your Board involved in the strategic planning process? If the answer is no, it is possible you could have a problem. One potential problem is that you do not think your Board of

Directors is cut out to handle strategic planning, they are not engaged enough to the point where they would want to be involved or you simply look at that as a management function. In those circumstances, we would suggest you probably have the wrong type of people on your Board. In addition, if your Board is unwilling to participate in the strategic planning process because, candidly, it becomes merely an operational and tactical session talking about asset liability management, cybersecurity risks and threats, the new server that was installed or how the operations people can create better flow in their workstations, then you need to change the way you are doing strategic planning so that it is engaging to the Board. We believe the Board should be involved at some level in the planning process. Maybe it is just an oversight function, but a Board or a management team attempting to set strategic direction for an organization without the input of the other is shortsighted and may ultimately prove to be a liability. Let's get all the parties on the same page.

Top Ten Strategic Planning Mistakes

As we kick off the new year, many organizations will be looking at their strategic planning needs and often it falls to the Chairman of the Board, or his or her designated individual, to help spearhead how the strategic planning will occur. Here's a short list of ten things to avoid and a brief discussion about each.

1. Don't let the President facilitate the strategic planning session. If you are going to try to hold a comprehensive strategic planning session, really no one connected with the bank should try to lead that

- discussion. The fact is whether it is you as Chairman, the President, the CFO or some other person connected with the bank, you need to have your independent input into the true strategic direction rather than trying to manage the strategic planning process itself.
2. Don't take too long. A strategic planning session does not have to be a multi-day event. Most organizations will find that about six to eight hours is all that is needed to cover everything. You might simply do that in one day, divide it into two half-day sessions or something similar, but use the time of your directors and management effectively and efficiently.
 3. Avoid too much esoteric or "touchy-feely" discussion. Strategic planning does not have to be some pie in the sky discussion about what might happen 20 years from now. Rather, focus on the practical implications of what is impacting your bank. Do you need more branches, do you need to expand, do you need to improve sources of non-interest income, do you need to close a location, do you need to eliminate your Trust Department, etc. Spending too much time on your "value proposition" or understanding the nuances of your "deliverables" may be a waste of time.
 4. Don't exclude management. You do not need every person in the bank at the planning session, but your most senior management team should be included in at least part of the strategic planning session. You might certainly want to exclude them for part or have two separate sessions, one for the management team and one for the Board, but continue to keep them involved at some level.

5. Don't get "in the weeds". Strategic planning generally is a big picture focus and discussion. You do not need to get into the minute details of every proposal or idea. There will be a time for that in the future (and will probably be handled by the management team), but the initial planning session is not the time. Keep the focus on high level issues.
6. Strategic planning is not budgeting. Do not get hung up on financial analysis, budgeting items or the like. That is a management function anyway. Keep your group focused on the correct things.
7. Avoid wasted time on statistics. If you find it beneficial to cover demographic information, housing information, statistical data from your communities or anything else similar, consider distributing that information to attendees ahead of time for their review rather than discussing each item at the planning session. In fact, consider using a questionnaire to elicit responses on things like your current environment (strengths, weaknesses, opportunities and threats) and to knock out other things prior to the meeting so the meeting itself could be used for substantive discussions.
8. Don't hold the meeting at the bank. Get your group off-site and you will find them more energized, engaged and not running down the hall every five minutes to meet a customer who has come into the bank or running back to their office at lunch to check on things.
9. You should also utilize your strategic planning session to hold "director only" sessions. This gives the Board the opportunity to exercise its fiduciary duties and have candid conversations without the management team being present. In that scenario, it is normally

- appropriate to allow a President/CEO who is still a member of the Board to remain in the discussions as a director. However, if a Board also chooses to separately have a brief session with only outside directors, that is also appropriate. Remember, however, that these are not secret sessions. Once the director-only session is concluded, it probably is appropriate for the President/CEO who is a member of the Board to report the general discussions to the senior management team and likewise the Chairman should report the outside director-only discussions back to the President/CEO.
10. Don't make it all business. Consider using your strategic planning session for relationship building as well. Yes, you are going to spend the majority of the day doing difficult planning work, but set aside time for a dinner or some other leisure activities as part of your activities. The Chairman's role is certainly much more than tactical and often times you may have to be the social Chairman as well.

Time to Update the Mission Statement?

As most of you know, we are not big proponents of wordsmithing your Mission Statement to death every year. Once it is set, leave it alone unless something has fundamentally changed in your organization. In almost every planning session we facilitate, a review of the Mission Statement takes one minute or less because many organizations don't actually use the Mission Statement for marketing or otherwise. But if your organization truly uses your Mission Statement for marketing, employee motivation or other purposes, then it is appropriate to consider a periodic review of the Mission Statement. As a rule of thumb, you might want to

revisit your Mission Statement every five years or so to make sure it is still applicable. In particular, we are seeing a large number of banks with Mission Statements that aren't truly Mission Statements, but are Vision Statements, comments that the Chairman wanted to add, a statement about good behavior or something else quite silly. Keep in mind that a Mission Statement should be a short, to the point statement of the true thing you are trying to accomplish.

Consider a recent bank who had a several sentence Mission Statement along with several supporting points and paragraphs to go with it. They eliminated all of that and, with our help, developed a simplified Mission Statement that now reads: "Creating Value For Our Communities". The way in which they create that value has multiple points including value for shareholders through profitability, value for employees through a good work environment, value to customers through cutting edge technology, and products and services. But the bottom-line of everything they are trying to accomplish is the value creation. That's all their Mission Statement says.

As Chairman, think of ways to simplify your Mission Statement and unify your organization around a central theme. You may find it does wonders for morale as well as for the focus of your group.

Meeting Adjourned

As we move into 2018, we will look forward to highlighting new topics and issues for Chairmen. Your role is certainly evolving each year if not minute by minute and we will try to keep you abreast of some of the latest goings on for Chairmen and ways in which you might improve your job. Keep up the good work, 2018 has the potential of being a very profitable year. So, we will have much to say about that and your role in the coming months.

Until next time,



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and



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