

The



Opening the door to new ideas

Chairman's Forum

Newsletter

Gerrish Smith Tuck, Consultants and Attorneys

November 2018

We hope you all had a happy Thanksgiving! As we have passed the Thanksgiving season and are now entering the Christmas season, there continue to be a number of topics for directors that keep popping up at strategic planning sessions and in questions we receive across the country from Chairmen. In this month's edition of *The Chairman's Forum Newsletter*, we focus on a couple of items that have come up at some recent planning sessions including the appropriate strategy for technology in your organization, the often hard to define interrelation between an organization's culture and its values, and the evolution of your strategic planning process into one of "strategic conversations".

We hope you will find the information in this month's edition to be useful to you as you look to close out the year and move into 2019. If we can ever be of assistance to you on these or other matters, please do not hesitate to contact us.

Happy Reading!

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Chairman's Summary

- ◆ Register now for the upcoming Chairman's Forum.
- ◆ Is there a distinction between culture and values?
- ◆ Should your technology strategy be changing?
- ◆ Consider a different approach to your strategic planning.

Upcoming Chairman's Forum

As you may have seen in some of our previous announcements, the annual Chairman's Forum is scheduled to be held January 17 and 18 at the Ritz-Carlton in Naples, Florida. Many of you may be aware that the Chairman's Forum was the predecessor to this *Chairman's Forum Newsletter*. Because of the success of the open forum discussion among Chairmen and directors from across the country, the attendees requested that we supplement the benefits of the forum with an ongoing newsletter that keeps the discussion of Chairmen-related issues going throughout the year. The 2019 Chairman's Forum is filling up quickly and space is limited, so we encourage you to sign up and book your hotel room as soon as possible. You may do so by visiting the following link:

<https://barret.ws/landing/chairman/>

We look forward to seeing you in Naples in January.

Culture Versus Values

Recently, a Board of Directors was discussing the growth and development of its organization, changes in its market demographics, the changes that had occurred over the years in the Board of Directors and a recent change in the President/CEO position. A concern was beginning to be expressed by some employees, management and even members of the Board of Directors that the culture of the organization was changing and, therefore, they needed to do something to stop the change or otherwise they were no longer going to be the same bank they had always been. We worked through these issues a bit with the organization and, thanks primarily to the strong leadership of the Chairman of the Board, the organization took a unique approach toward what wound up being more of a perceived problem than a real problem.

The result of the discussion was a recognition by the Board and management that, as an organization grows, as it expands into new markets, as its asset size increases, as the types of products and services it offers are expanded, as new technology drives the organization forward, then, of course, the culture of the organization and its employees might necessarily need to change with the evolution of the organization. However, as articulated by the Chairman of the Board, a change in culture is not necessarily a negative thing, but an organizational culture shift can be very positive and, in fact, was positive for this organization provided that a change in culture did not represent a change in values. For example, an organization could take on more of a sales culture as a larger organization than it has previously practiced as a smaller bank, but that does not mean that the value system of promoting what is in the best interests of the

customers has to change where the company would merely be pushing products on people. So, as Chairmen, make sure you are distinguishing between organizational culture and values. Your culture might evolve over time or might need a push occasionally to change, but the core values and mission of the organization likely should never change.

Fast Follower or Cutting Edge?

The question above is often asked in the context of an organization's technology strategy. For many community banks, this question is whether they want to try to do everything they can to be on the cutting edge of technological developments (and candidly very few community banks can afford to pursue that strategy) or should the organization adopt a strategy of merely being a "fast follower" meaning that once the big boys develop and implement technology and we can decide which of those are favorable and profitable, we then quickly move to implement those same types of strategies. However, in today's rapidly evolving technological world for financial services, there is an argument that simply trying to adopt a fast follower approach may not be enough because by the time you are ready to start following what the rest of the crowd is already doing, the rest of the crowd has already moved on to something else and you never catch up. In a social media setting, that would be like deciding to get a Facebook page and everyone has moved on to Twitter. You decide to sign up for Twitter, now everyone is on Instagram. You decide to make the jump to Instagram and now everyone is on Snapchat, etc., etc. In the financial services world, you decide to finally roll out electronic statements, and everyone else has moved on to mobile banking. You decide to develop a mobile banking product and

your customers have moved on to money transfer through Venmo, you decide to modernize your mortgage products and your customers have moved on to Rocket Mortgage.

So, you see the constantly evolving need to try to be more than just a fast follower on technology. Recently, an organization we were with had what we thought was a good model for dealing with this. The technology officer of the bank was clearly aware that working for a smaller community bank meant that they did not have the time or resources to be on the cutting edge of technological implementation. However, her approach was to ensure that the organization stayed absolutely on the cutting edge of technology information. By this, every Board member and the senior management team were required to be aware of the latest and greatest technological developments that financial institutions were implementing. They would not be able to implement all of those, but they could certainly find ways to compete against them or develop similar products that met the customers' needs. Even if you cannot afford to implement everything you want to implement, you certainly can be on the cutting edge of what information is available regarding new technologies and that might be an appropriate approach for Chairmen to take in directing their organizations.

Try Strategic “Conversations”

As Chairman of the Board, one of your key functions is to ensure your organization engages in periodic strategic planning. For our clients across the country, that can take any of a number of different forms from merely discussing key topics with the Board for a few hours following a Board meeting to a multi-day off-site formal strategic planning session. But, what

we have found is that while many organizations are open to the idea of strategic planning, they grow weary of every year having a multi-day event, talking about the mission statement again, revisiting strengths, weaknesses, opportunities and threats, outlining key organizational objectives, hearing about their market demographics or what is happening in the M&A market, etc. We tend to agree that trying to be overly formal in the strategic planning approach every year is not in the best interest of the organization. Many of you who have utilized our services for strategic planning know that, as practitioners and not academics, we focus on ensuring that strategic planning is tangible and substantive rather than esoteric. As a result, our strategic planning often moves away from a formalistic “planning” session to what we would more likely call a “strategic conversation”. We are having more Boards of Directors focus their planning efforts in this regard to simply pinpoint four or five key topics that need to be considered, designating a time when all the Board can meet and focus on these, and then bringing us in to facilitate the discussion. Typical topics might be considering a sale or an acquisition, focusing on stockholder liquidity, the possibility of converting to Subchapter S, the process of raising capital or buying back shares, issues with management and compensation, or a host of any other topics. You can call your session whatever you want, but the idea is to get your Board focused on targeted issues rather than a “process” of planning. Use your time wisely, get in and get out, make key decisions and move on. As Chairmen, consider the idea of adopting an approach of having targeted strategic conversations rather than a comprehensive planning process.

Meeting Adjourned

We hope you will join us in Naples in January for the Chairman's Forum. Obviously, there are many colder places we could have chosen, but we thought most of you might enjoy a nice respite given how cold it has been throughout most of the country even in November. At the time of preparing this newsletter, we have just had the Thanksgiving holiday and it certainly gives our firm time to reflect on the bounty that our clients provide for our firm, our owners and employees, and all of our families. For that, we are extremely grateful to each of you for your business, your loyalty and your friendship. We hope all of you had a blessed Thanksgiving.

Until next time,



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HOW TO CONTACT US:

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