

## HAPPY, SHINY EMPLOYEES

by [Steve Brown](#)

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Companies are always looking for new incentives and rewards to satisfy current customers and attract future clients. Ice cream shops give free samples, car dealerships offer reduced payment options and department stores advertise appealing sales. In the banking world, free checking, low payback rates and free lollipops in branches all encourage customer loyalty. It seems like businesses are always trying to please the customer, but client satisfaction may not be all that is needed for top performance. The employee who reports to work before the bank opens and then spends ten hours solving problems and improving customer relations is the heart of the institution. Banks have to nurture employees and remind them of their value. Employees need to feel a sense of belonging; an emotional connection to their coworkers and management. Recent Gallup Organization research reveals that banks will fail to reach optimal customer commitment levels if employee engagement is not first improved. Most financial institutions realize the importance of employee satisfaction, but their quick fix is to offer higher monetary benefits. Although increase in pay is a practical incentive, it has been found that performance will improve faster and for longer periods if incentives are better aligned to a bank's vision and are professionally and emotionally supported. This year's Gallup research shows that companies best able to strengthen employee engagement considerably surpass the competition. In other words, in the recent round of survey data, the correlation between employee job satisfaction and an increase in earnings per share is higher than any other category, including employee compensation and earnings per share growth. In other words, banks with happy employees tend to outperform peers because they are creating enthusiastic environments that are inviting to both employees and customers. In this competitive industry, management already suffers high stress and responsibility, so increasing employee engagement may seem like extra, inconsequential fluff. However, detached employees can be the demise of a financial institution. Their negativity and lackluster performance can certainly influence overall success. Banks nationwide are taking action to improve management, employee and customer relations. Step one is to make sure a bank's management team is cohesive, positive and homogenous in vision (dissent from this group spreads faster than any other single group within the bank). Next, this management team must put forward a goal or a vision that most employees can agree with. Employees that understand and agree with a corporate purpose are much more likely to have higher job satisfaction. Management must then recognize who is disengaged and let them know the importance of having a strong, dedicated team. Creating a feedback loop with constructive management-employee rapport and team dialogue is also important. Bank leaders should motivate the entire institution to work together to create an efficient workplace. Certainly it is necessary to keep free checking and delicious lollipops for clients, however customer-service and bank performance will significantly improve only after bank employees begin to work from their hearts.

## BANK NEWS

### **M&A**

The HC of South Carolina Bank and Trust (\$2.3B, SC) will acquire the HC for The Scottish Bank (\$192mm, NC) for approximately \$43.4mm, or roughly 2.4x book. The move adds 10 branches to South's existing franchise and expands the bank geographically into NC.

### **Global Contagion**

Acting as lender of last resort, the Bank of England lent \$3.2B to an undisclosed bank last night. The facility allows banks to borrow from the central bank at 1% above the benchmark interest rate. Since the middle of 2006, the facility has been tapped 19x, only 4 of which were for \$1B or more.

### **Loan Provision**

FHLMC reported its 2Q profit fell 45%, after taking \$336mm in provisions for losses on home loans.

### **BSA/AML Exam Manual**

The revised Bank Secrecy Act/Anti-Money Laundering Examination Manual was released Friday and includes clarifications of regulatory expectations between lower- and higher-risk customers, detailed guidance for reporting suspicious activity, and new information regarding remote deposit capture.

## CD BUSINESS

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