# IMPROVING BANK PERFORMANCE

by Steve Brown

Gossip can be juicy, which is one reason people like to spread it. In fact, a recent study finds 36% of employees will swap stories about either their company or other employees. In addition, 28% of employees say gossip usually provides their first source for information.

Big deal you might be thinking, gossip is part of the fabric of business. Before brushing it off, however, consider that gossip plays a very important role when people make decisions. In fact, researchers found gossip can be more powerful than truth. In short, people will believe what they hear through the grapevine - even if they have factual evidence that specifically contradicts it.

The problem with office gossip specifically, is that is also nearly always negative. People who have been a victim of malicious gossip know it can also be cruel and destructive. The question is - what can community banks do about it?

To begin, it is important to understand that office gossip is woven into the very fabric of daily business, so stopping it entirely is not possible. While policies can be written, legislating gossip away isn't an option. No rule book can capture all behaviors. Therefore, the best way to control gossip is to lead by example. Banks should ensure all management behaviors can be understood, respected and emulated by employees.

Next, management should provide regular communication with a positive message. A lack of communication drives more back-channel discussion and creates gossip mongering. Having a clear and regular message helps employees understand organizational changes and know why these changes are occurring. This can also provide a channel for management to explain new products and highlight industry trends. Answering employee questions and sharing the information also helps.

Management should also be approachable and make daily contact with employees. It should be a standing practice for management to get out of their offices at least once per day and walk around talking to employees. Managers should stop and talk to find out how things are going, while listening closely to the answers provided. In many cases, employees want to tell managers their problems, but many won't do so unless they are asked directly.

In addition, management must spread the word that the company works as a single team. Internal communications, comments or discussion that divide departments is not only a distraction from the business at hand, but also impairs corporate performance. It is the job of all senior managers to quickly nip such activities and negative commentary in the bud.

Next, community bankers should reinforce what mom taught us. Tell employees (and lead by example) that "if you can't say something nice about somebody, don't say anything at all. " At a minimum, this approach ensures everyone understands negative gossip is unacceptable.

Finally, all employees should be accountable for their own actions, so cultivating internal sensitivity should be a primary goal. While spreading rumors about others can be juicy, fun and feed one's ego, it is very destructive. Teach employees to think about how they would feel if negative rumors were being spread about them. Labeling other employees does nothing more than support prejudices, biases and hard feelings in the workplace. These actions produce absolutely no value for the company and everyone should work hard to eliminate them from the company.

Some people work very hard to feed the gossip machine because they enjoy spreading information they think is secret or will make them look better. In order to improve performance, everyone must take responsibility. Lead by example, remind others not to be negative and the rest will follow.

## BANK NEWS

**Basel II**

After the Fed approved the final Basel II capital standards for U.S. banks, FDIC will take a look at it today. While the nation's largest banks have already adopted parts of the new capital and risk calculations, the new rules will take affect Jan. 1.

**Disclosure**

The Fed approved amendments to Regs B, E, M, Z and DD, all covering consumer fair lending in electronic media. In addition to add certain rules, the new amendments clean up and clarify the E-sign Act from 2001.

**BofA Affinity Cards**

Iowa schools are rumored to be ending their affinity card relationship with BofA this week due to the rise in student debt and aggressive marketing. Major universities and alumni groups average often get $500k+ per year in fees for joint branding cards.

**Branch Shift**

Bankers should note that research shows 70% of teller activity is tied to collecting and processing checks. If RDC continues its rapid adoption rates, bankers will have to restructure their teller activities, improve training and likely see increased costs as a shift occurs to cross-selling activities (and branch activity requires the ability to handle more complex transactions).

**Smart Start Banking**

S&T Bank ($3.3B, PA) is targeting 14-18 year old students with a program that teaches the basics on credit cards, checkbook balancing, and budgeting. In addition to a customized bank account product bundle, students have the opportunity to win a $1,000 college scholarship.