

SMILING BABIES AND STRATEGIC PLANNING

by [Steve Brown](#)

Nothing makes a person feel good like the face of a smiling baby. Perhaps that is because studies show one trait of happy people is that they believe they set their own destiny. While babies don't understand their destiny, when all you have to do is worry about when you are going to eat, sleep and fill a diaper, the world is a pretty nice. We like to be happy and like to have happy people around us, so smile along as we get things rolling this week.

Strategic planning for bankers is just around the corner. In the past year, many executives we have spoken to say they have so much going on given the credit crisis, that any idea of thinking about the future seems, well, in the future. Strategic planning isn't a luxury these days, however, but rather a necessity.

Here is how the data breaks down for community banks. In general, surveys find slightly more than 90% of banks include their board in the process. The vast majority of board's review and set budgetary goals, corporate goals and are there to discuss ideas, strategy and even help with tactics. The key question these days is - how much more risk do you want to take on? The wealth of experience at most community bank boards is strong, so asking a few more smart people what can be done to help the company may not be a bad idea - particularly in an environment when so much is already going on and so many stresses are already built into the system.

One key suggestion we have for community banks is to get out a questionnaire to your directors in order to poll their opinions in an unbiased way. This will help frame concerns, issues and thoughts on bank direction. Remember to frame the questions in terms that will stimulate conversation and help drive the refinement of a 3Y strategic plan. This plan will commit in writing, the long term goals, objectives risks, rewards and resources required to execute the plan successfully.

Strategic plans should be just that - a plan. When all is done and the plan, high-level budget and other components are completed, the document should be routed to all. The more people that understand where you are going, the more people will help get you there. In addition, set aside some time in the future to revisiting the issues at least 1x per year in order to make sure you are executing according to plan or if a revision is required. As part of the planning process, it is also helpful to review any education that directors might need in order to help management evaluate the plan. Banking is changing rapidly and the nuances are more important than ever. Surfacing areas of needed education, like on TARP, M&A, capital raising or other items will be key to helping the board understand the plan.

Some bankers we talk to say strategic planning is a waste of time because once the process is done the plan is placed on a shelf and never utilized again. We understand the issue and perception of spending time meeting as a group, talking about all the things the company could be doing and then never doing it, but that misses the point. Strategic planning works when bankers use it to set realistic (and clear) goals; include the ideas of stakeholders and employees; define explicit action steps the company will take and is realistic about goals and objectives. A good strategic plan is most effective when it captures goals and action steps the company will take to achieve its objectives.

No matter what you think about strategic planning, the process has never been more important. As we start the planning season, this time around, think about where you really want to go, how you plan to get there and what will be needed to make that happen. Then, work through the vision, commit it to paper and circulate to everyone. A baby can make you smile, but a good strategic plan that works can deliver a feeling only a community banker can truly appreciate.

BANK NEWS

5 Shuttered

Five banks were closed Friday making the day of the most closures since 1992. Mirae Bank (\$459mm, CA) was closed with its most of its assets (under a loss sharing) and liabilities assumed by Wilshire State Bank (\$2.6B, CA). MetroPacific Bank(\$80mm, CA) was shut with most of its assets and liabilities assumed by Sunwest Bank (\$387mm, CA). Horizon Bank (\$88mm, MN) was taken over by the FDIC with most of its assets (under a loss share agreement) and its deposits purchased by Sterns Bank (\$873mm, MN) for 0.75%. Community Bank of West Georgia (\$199mm, GA) was shut without a buyer. The Bank's government payments (Social Security, Veteran's payments, etc.) will be taken over by United Community Bank (\$8.1B, GA). Finally, Neighborhood Community Bank (\$212m, GA) was put into receivership with CharterBank (\$800mm, GA) assuming most of its assets (under a loss share agreement) and liabilities. The cost to the FDIC Deposit Insurance Fund totaled \$265mm for the above mentioned 5 banks.

TARP Warrants

The Treasury released its guidance on the repayment of warrants that were issued under TARP. Banks that want to repay the warrants must submit a "fair value market offer" within 15 days of the repayment of TARP funds. The Treasury will then conduct its own evaluation and get back with an answer within 10 days. If rejected, both parties can select independent appraisers to help. If a bank does not look to redeem its warrants, the Treasury stated that it will look to sell them over the next several months thru auction.

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