
THE POWER OF NETWORKING

by [Steve Brown](#)

Yesterday, we heard of a bank that blocked employees from accessing Facebook and Twitter for fear of their employees using the sites and losing productivity. We found this ironic, as yesterday we heard this news in the middle of a networking experiment. You see, we were in need of a financial analyst with a particular skill set and so we set up a race of sorts. We attempted to utilize 4 different methods to see which one returned 5 suitable candidates that met the outlined job requirements: 1) posting an ad in the newspaper, 2) posting a message on an employment internet site, 3) talking/e-mailing to friends and co-workers and, 4) utilizing a social network site. While the "race" isn't over, here is how it stands: Newspaper: NA (job has not posted yet); Online posting: 3 candidates (the first received after the 3rd hour); Talking/e-mailing: 1 candidate (the first received after the 2nd hour); Social networking site: 5 candidates in 5 hours (the first received 2 minutes after posting).

We have yet to ascertain the quality of these candidates so our final verdict is out, but the data is interesting so far. We highlight the fact that our initial success was dependent on the number of qualified "influencers" that we could quickly contact. When we contacted our immediate circle of friends and co-workers, we got to 12 people, who then contact approximately 0.3 people each (as most said they didn't know anybody with that background). This gave us approximately 15 contacts. When we posted the ad on the Internet, according to the site, this gave us 4k contacts. However, when we posted the request on Facebook, Twitter, LinkedIn and others, we touched approximately 40k contacts around the world in just a couple of hours (as we assumed only 25% of users check their accounts in the morning). The contacts of our contacts ended up getting us to what may be the right people. In short, the power of one-to-many networking gave us a geometrically expanding network of contacts to reach inexpensively and efficiently.

The experiment highlights the new ways networks are being utilized to solve problems for businesses that go beyond social interaction. This month marks the 6th anniversary of Facebook, a site that now contains more than 350mm users. That makes it the 2nd most utilized site on the internet after Google. If it were a nation, it would be the 3rd most populous area outside of China and India. Consider as well that Twitter is now routinely relied on by news media outlets to gather their information. In fact, many municipalities now find out about public safety issues (bridge failures, bus crashes, sewer explosions) from Twitter 5 to 10 minutes before someone ever calls police or fire.

At our upcoming Executive Management Conference, May 2-5th in San Francisco, we will be exploring the changing face of banking from deposits to new regulations. In addition, we will be highlighting how banks can better utilize sites like Facebook, LinkedIn, Twitter, YouTube, Ning, Orkut, Flickr, Phorum, digg, Crowdstorm, Yammer, Chatter and others not just for marketing, but also to leverage the power of collaboration to solve problems.. While having a Facebook page is good, creating a community with a sense of purpose can be multiple times more powerful. Banks can block and ignore networking sites with a goal toward improving employee productivity, but they may end up doing exactly the opposite.

If you are interested in participating in an event where we discuss key topics and challenges that face our industry, you need to come to the EMC Conference. For more information or to register, go: <http://www.pcbb.com/conference.html>

BANK NEWS

M&A

Great Western Bank (\$5.2B, SD) entered a deal to buy F&M Bank (\$463mm, IA) for \$50mm in cash from Citizens Republic Bancorp (\$11.9B, MI). The purchase includes \$410mm in deposits, \$125mm in loans and 10 branches. This is deal #3 for Great Western in the past 12 months.

Small Business

The White House proposed transferring remaining TARP funds to a \$30B program aiding small business loans originated by community banks. On another front, the White House 2011 budget includes a plan to supply the SBA \$994mm (a 21% rise from 2010). The budget portions \$165mm in subsidies to 7(a) guarantees and raises the loan size cap to \$5mm from \$2mm. For 504 loans, limits would rise to \$5mm from \$2mm and \$5.5mm from \$4mm for manufacturing loans. Microloans would cap at \$50k as opposed to \$35k.

PNC TARP Repay

PNC Financial Services has announced it will pay back \$7.6B in TARP funds. To do so, PNC will issue \$3B of common stock, \$2B of senior notes and use the cash raised through its \$2.3B sale of its global investment servicing business to Bank of New York Mellon (announced yesterday).

Good News

With about 50% of S&P 500 companies reporting so far, 78% have beaten EPS estimates, compared to only 56% as of this point last year.

No Fees (yet)

An agreement with the NY Attorney General, means Citibank will postpone adding fees to current "free" checking accounts for 1Y. The A.G. emphasized that customers must be given a "reasonable notice" for changes in terms, with notice of "about one year" in this instance.

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