
GALILEO, HANS AND BANKING

by [Steve Brown](#)

Who the heck is Hans Lippershey and why should you care? As you ponder that question (no Google cheating), we provide a hint that begins with the famous Italian scientist Galileo.

Recall that Galileo discovered the earth is not the center of the solar system; that Venus has phases (which confirmed that planets rotate); and that Jupiter had four moons, to name just a few. He certainly changed the world, but what of Hans?

Before we get to Hans, we stop to help our community bank readers boost performance with some thoughts. What follows are some tips we have picked up during our travels, discussions and meetings with bankers, regulators and other industry experts that may be worthy of considering during these trying times.

Consider the source and double check things that can have an impact on the business. To eliminate ambiguity or bias, it is important to have reliable information coming in to you from independent sources. As humans, we all carry biases, so it is important to solicit decision-making information not only from internal business units, but also independent sources outside the company. Incentives and ego internally sometimes push individuals to drive forth their own specific view, so balance is critical. Using outside sources to double check data and assumptions is a common sense way to ensure a more balanced approach to running the business or business unit.

Management support during stressful times delivers better results than clamping down. A study by the University of Amsterdam found executives that support business units under stress and act more as cheerleaders get the best results. The analysis shows employees in stressed business units (think lending in particular) experience mental fatigue as they deal with pressure to perform. These high-stress areas have employees that are more in reaction mode than anything else, so a leader that reacts with anger or cracks down, is more likely to leave employees feeling offended than to get desired results. Basically, because pressures and stress are already running high, employees in these units don't really think about what the executive is saying or why; but instead just react in kind. Executives trying to get their teams to go from point A to point B may want to consider breaking out the pom-poms to boost results, rather than adding even more pressure.

Out of sight, out of mind still holds true. Studies find people in open office areas along main walking routes have 60% to as much as 84% more face-to-face communication with other employees as those working in areas flagged as "low visibility." Humans like to interact and share ideas, so opening up work areas to provide that opportunity can drive bottom line results.

Mixing products with services can boost performance.

Research by Harvard University finds banks will probably have more success by combining reliable, consistent, high-quality service if product offerings are commoditized. Companies regularly deliver inconsistent service as we all know, so if the product is a commodity; focusing on enhancing service and ensuring consistency can be an effective differentiator.

Now we shift back to our story about Hans. Hans was a man from the Netherlands who made eyeglasses, had an active imagination and an inventive mind. It was that combination of factors that ultimately led to the invention of the first telescope. Then, despite efforts by the Dutch government to keep the invention a secret, Galileo heard about it and built his own more powerful version. We just thought you might like to know that while Galileo is commonly thought to have invented the telescope, he actually just made it better and it was Hans who was the true inventor in this case. You never know what sort of impact you can have simply by improving existing processes. Now - go ahead and Google away.

BANK NEWS

Gain On Purchase

According to Foresight Analytics, 47 of the 146 banks (32%) that purchased other banks through an FDIC assisted transaction recognized a net bargain purchase gain. For the record, East West Bank had the largest cumulative purchase gain of this group at \$490mm.

CRA Small Biz

According to data associated with the Community Reinvestment Act, originations and purchases of small business loans fell 30% by dollar amount to \$206B and 42% by volume to 6.2mm. The reduction was due to tighter credit on revolving and credit card lines.

Money Confidence

The US Millionaire Confidence Index fell 11 pts to -18, close to its record low level set last year.

Housing

Corelogic estimates that as of the end of Q2, 23% of home mortgage holders are in a negative equity position.

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