

ADVICE ON RUNNING A BETTER BANK

by [Steve Brown](#)

Sir Richard Branson of Virgin fame is one of the richest people in the world. He has also built many, many companies into powerhouses over the years. We bring this up because when it comes to making money, he might know a thing or two. Branson has been quoted as saying that when it comes to new ventures he launches, he keeps two things in mind. First, he limits the downside and controls the risks. Second, he terminates the venture quickly if things don't work out as planned. Launching new products and services for banks can be tricky, but remembering these two key things and never being too proud to say you got it wrong are fundamental to a successful process. You may not be as rich as Mr. Branson, but you can certainly take his advice. Who knows, maybe he will hear about how you are using his techniques and come visit your bank.

To be sure, running a bank these days is difficult given all the pressures, which is one reason we also found a recent study by Harvard so interesting. After reviewing hundreds of companies, the study found a key predictor of company failure is either being too complacent or an environment where employees are overwhelmed. Take a look around the bank. If you see people fighting fire after fire, or know some go home only to smirk in the mirror over the bank's performance, it might be time to be careful. Being overwhelmed or working in an environment where employee suggestions are not embraced leads to low employee satisfaction and can leave the bank wanting if a potential issue of any significance surfaces. We are not suggesting you need to get paranoid. Rather, as the study found, it is important to establish a culture that constantly challenges employees to improve themselves and the bank. These are factors that boost performance over a sustained period of time.

To create a culture of challenge without going too far, the study also found some things work better than others. Remaining productive and focused in meetings is a critical first step. Domineering attitudes should be left outside the door, so everyone in the room can provide thoughtful input, have their position listened to and allow the group to focus on finding a common solution. This is very difficult to do in practice, we readily admit, but thinking about what you are going to do before you go into any meeting is a good way to start in the right frame of mind.

To be truly effective, the study also found management teams should focus on making sure heated discussions are saved for only those issues where the stakes are worth it. Ask yourself whether the discussion is about something that is truly game changing or whether you are just fighting to keep things interesting or prove a point. Companies falter when too much time is spent on the latter vs. the former.

Next, do your very best to move forward. Forget the blame game or rehashing the past. Top performance comes from concentrating your energies on solving problems that matter, are impactful and generate returns. All the rest is just political mumbo-jumbo, so do your best to move on.

Finally, delve deeply into efforts that can also improve the lives of shareholders, customers or employees. Here, the study found that doing so pushes employees to become personally invested, which results in better performance. Focus on delivering more than just revenue by finding a solution that generates positive reinforcement from shareholders and customers. Do this and you have the

proverbial tiger by the tail, when it comes to creating an environment every bank would be proud to call their own.

The next time you head into a meeting where you are trying to solve a major problem, consider these final bits of sage advice from Branson: "A business has to be involving, it has to be fun and it has to exercise your creative instincts." The good news is that "business opportunities are like buses, there's always another one coming." Have fun and make it a great day today.

BANK NEWS

CEOs w/ Obama

Among the CEOs meeting at the President's CEO outreach program, Jamie Dimon (JP Morgan) and Ken Chenault (Amex) will be representing the financial sector. Noticeably absent from the CEO line up are the CEOs from BofA, Wells, Citi and Goldman.

Bank Ratings

BauerFinancial ranks GA, AZ and FL as the most problematic banking states (in order), with an average of 38% of the banks rated "problematic."

Education Matters

The BLS reported last Fri that the unemployment rate nationwide rose to 9.8%; however those with at least a bachelor's degree were only at 5.1% (still a 41Y high), compared to high school graduates at 10.0% and those without high school diplomas at 15.7%.

Dodd-Frank Act

One of the changes coming out of the DFA will result in about 4,000 investment advisors (those with assets under management < \$100mm) to switch from federal to state registration by July 21, 2011.

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