

## MAKING YOUR BANK GREAT BY CHOICE

by [Steve Brown](#)

Jim Collins obtained guru status among bankers with his 2001 best seller, "Good To Great." This month, after 8Ys of research, Collins released his next business management meme as he teams up with UC Berkeley professor Morten Hansen to publish a new book, "Great by Choice: Uncertainty, Chaos, and Luck - Why Some Thrive Despite Them All."

One of the most vivid allegories in the book that drives home the point for bankers in this environment is the competitive expeditions to reach the South Pole by Roald Amundsen (pictured) and Robert Scott in October of 1911. Both men led capable parties and left base at approximately the same time, faced the same weather and took similar routes. While the disciplined Amundsen paced his team targeting about 15 miles per day, Scott varied his mileage in an attempt to take advantage of favorable weather and terrain. While good on paper, Scott wore his team out on good days only to make them more vulnerable when the terrain and weather turned inhospitable. More important, a stated mileage objective created a consistent, defined goal that everyone in the party knew they had to achieve each day to be successful. The result was that the Amundsen party reached the South Pole on time, while the Scott team almost perished.

The author's research uncovers "10x" companies that are familiar corporates such as Southwest Airlines, Intel, Progressive Insurance, Apple and others that outperform industry standards by a factor of 10. Not surprisingly, it turns out that 10x companies display specific behaviors that the authors boil down to "fanatic discipline," "productive paranoia," and "empirical creativity." Fanatic Discipline is consistency of action and the ability to not overreact to events. Productive Paranoia is staying tuned into potential threats especially when things are going well. Fear and worry is channeled into preparation, contingency plans, buffers and margins of safety. Empirical Creativity is the ability to make bold moves based on sound quantitative evidence.

In a counterintuitive point, the authors point out that it is not luck, vision or risk taking that makes a difference over the long-term, but a methodical approach to working to hit reasonable performance targets, again and again, along the way, what the authors term as the "20 Mile March."

In addition to providing both consistent short and long term goals on your bank's 20-Mile March, the authors also advocate "firing bullets, then cannonballs." 10x companies tend to take a lot of little risks with new products, processes and markets to test them out only to commit huge resources to the endeavors after the new risk is validated. In addition, 10x companies "lead above the Death Line" in that management builds strong risk management practices and reserves because the only mistakes you can learn from are the ones you survive.

The conclusion of the book is that greatness is not primarily a matter of circumstance. Greatness is first and foremost a matter of conscious choice and discipline. The factors that determine whether a bank becomes great, even in a chaotic world, lie largely within the hands of its people. It is not mainly a matter of what happens to them but a matter of what they create, what they do, and how well they do it. When geography, the yield curve and regulatory winds work against us, it is clear that we can control only a tiny sliver of what happens to us. However, we can make choices to go into new

markets, target certain profitable customer segments, institutionalize better service or a million of other tactics that we are free to choose - free to become great by choice.

## **BANK NEWS**

### **Debit Fees**

JP Morgan Chase after much testing has decided not to charge debit card fees. This makes US Bank, PNC and Key as the major banks that have decided not to while BofA, Wells, Suntrust and Regions will charge.

### **MERS**

The electronic residential real estate title transfer company is coming under legal scrutiny as the NY Attorney General has subpoenaed banks over their use while the Delaware AG filed a lawsuit.

### **Auto Sales**

Sales of cars and trucks are on pace for best month since Aug '09.

### **Debt Reporting**

A new study from the Fed NY shows while households tend to accurately report most debt, they tend to underreport their credit card debt by 33%. Only 50% of households reported any card debt, while card companies reported that 76% of households owed them money. In addition, the average household reports card debts of \$4,700, while lenders report an average balance per household of \$7,134. Embarrassment and confusion are the likely causes.

### **Delayed**

A survey by Coldwell Banker finds 90% of brokers say the economy is delaying baby boomers' plans to sell their homes and retire. The survey also found 80% of brokers said older baby boomers (aged 56 to 64) are 200% more likely to want to downsize than younger boomers to have a simpler lifestyle (not for economic reasons).

### **Pets and Costumes**

Hard hitting research shows that 40% pet owners will put their loved one in costume and spend an average of \$10 on it.

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