

TEAMWORK REALLY WORKS

by [Steve Brown](#)

Studies find people work better in groups or on team projects when certain conditions are present. One is to be sure the team size is limited to about 6 or fewer members for maximum effectiveness. More than that and certain issues have a tendency to arise. In fact, studies have found: teams of 20 or more can produce lower quality results and increase the delivery time for a given project than teams with 6 or fewer individuals; larger teams tend to lead to "group think" where team members lean toward consensus and away from individuality; teams over 30 have a more difficult time maintaining focus on a project; and teams with 10+ people have more difficulty interacting (accountability and cohesiveness begin to break down). So, if you have a key project or objective you want to get solved in short order, assign a team of 6 people to improve your chances of achieving better results. We bring this up because we were intrigued by a Deloitte study that was released for the 3Q. It asked CFOs worldwide what they thought about various issues and while much of the report was perhaps too broad for community banks, some interesting results surfaced nonetheless that are applicable. As you get your strategic planning underway and begin to assign teams to various projects you want to complete, here are some pertinent items worthy of consideration in our humble opinion. About 80% of CFOs in the U.S. believe the economy is stalling or about to stall. That isn't good for future loan production, so double check all loan growth targets you have discussed to ensure you aren't reaching too far. If these financial guru's are right, expect the economy to continue to slow and hover around a 1% to 2% range for several quarters to come. To deal with this sticky issue, here again you may want to identify a team of 6 senior executives to begin identifying solutions or alternatives. Since this time of year is filled with strategic planning sessions at community banks, you might find it interesting that the report found 60% of CFOs said they struggle with strategic decisions (what to provide, to which customers, on what competitive basis), 60% struggle with organic growth (geographic expansion, product or service expansion, R&D funding) and 45% are struggling with cost reduction efforts (consolidation, streamlining, outsourcing). If that sounds familiar, you may find comfort that the data shows even the largest companies struggle with similar issues. Again, small teams can work the biggest problems, seeking out solutions and identifying a clearer path for each. Finally, we discuss the portion of the report that focused in on which barriers get in the way the most often when management teams are trying to make decisions. Here, Deloitte identified the top five as differing views of strategies and goals (36%); biases of particular executives (35%); insufficient understanding of options and their expected outcomes (29%); unclear or inappropriate assignment of decision-making authority (26%) and lack of clarity or agreement around the problem to be solved (25%). These are big issues to be sure, but a small team that is focused on finding a solution can work wonders here as well. To be sure, keeping on top of things, growing the bank and maintaining profitability are a challenge these days given the backdrop. To gain traction, try assigning a few small teams some meaty tasks and see what surfaces - you might be surprised.

BANK NEWS

M&A

State Bank and Trust (\$2.7B, GA) has purchased payroll services company Altera Payroll, as it diversifies its revenue stream. Altera does payroll for small & midsize businesses.

3Q Earnings

Bank of America reported better than expected net profit of \$340mm (\$6.2B prior year), as it took hits for \$1.9B in accounting adjustments, \$1.6B legal expense related to Merrill Lynch and \$800k in tax related charges. The bank reported revenue fell to \$20.4B (\$28.5B one year ago); mobile customers surpassed 11mm; had a 48% drop in provisions for credit losses; mortgage originations climbed 18% and small business lending jumped 27% YOY. U.S. Bancorp reported record profit of \$1.4B, up 15.8% over prior year. Compared to the prior year, average total loans grew 7.3% (C&I up 19%, CRE up 21%); noninterest bearing deposits climbed 16%; NIM was 3.59% vs. 3.65%; allowance was 2.26% vs. 2.66% and the efficiency ratio declined to 49.1% vs. 50.0%.

Good News

The WSJ is reporting the CFPB is considering protecting mortgage lenders that originate qualified mortgages from certain types of lawsuits in order to spur lending to qualified borrowers. Uncertainty has hampered the mortgage market and led to greater concentrations among the top 5 mortgage originators.

Fiscal Cliff

Bloomberg reports Congress is working to introduce up to \$100B of spending cuts as a down payment for a bigger fiscal plan after the elections.

Basel III Delay

Despite much work on the subject, only 7 of 28 member countries have made the Basel III rules legally binding so far, as most will not be ready by Jan. 2013 to begin enforcing the new banking rules that came following the financial crisis. This is the first official recognition that the rules will not be ready worldwide, as many countries remain at the drafting stage.

Account Fees

A recent survey finds the minimum amount required to open a bank account and not have fees associated with it increased to \$408.76 on average from \$391.41 last year (up 4.4%). Meanwhile, another study finds consumers now pay an average of \$259 per year for a basic checking account.

Most Deposits

According to SNL, the top 5 banks in deposits as of 2Q 2012 were Bank of America (\$1.13T); Wells Fargo (\$891B); JPMorgan Chase (\$865B); Citigroup (\$396B) and Capital One (\$233B).

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