

## KEEPING MOTIVATED DURING MAJOR PROJECTS

by [Steve Brown](#)

Studies find people tend to lose their motivation in any given project about 50% of the way through it. Researchers surmise that is because people usually begin new projects with fervor, lose steam in the middle, then pick up the pace again toward the end when they can see how close they are to finishing it. As expected, the middle is just no man's land when it comes to motivation. The good news is that there are some ways to manage through this malaise period.

One way to do this is to break larger projects into smaller ones that can be more easily completed without burning out along the way. Another is to stay focused only on the task at hand until it is done. Yet another is to assign teams to compete with each other to keep the excitement ramped up until the project is completed. All of these methods are effective at different levels for different projects and can keep spirits up. Try them out the next time you and your team work through any project that needs to be completed in the coming months. As you do, keep track of what works best for you and your bank, then repeat the process.

One area you may want to begin this process is in the area of reexamining the business model. The industry is undergoing significant changes given a confluence of events that include lower leverage; greater regulation; higher costs; low interest rates and high competition. Deposits have also flooded into banks, but investment options on the asset side are limited. This has led to an erosion of performance that has many community bankers scrambling for a solution. There is no magic wand that can be waved given all these events and issues, but there are projects that can make sense to improve performance.

One project to consider is to review the loan loss reserve in context of legacy credit issues and expected future performance. Credit conditions are slowly repairing and look like they will do so through 2013, so there may be some room here to reduce provisions or even make negative ones. If you do, be sure you have well documented justification, align the action with improving credit quality, consider risk appetite and new loan growth. This takes some work and analysis, but it could also provide a needed earnings boost next year for some banks.

Another relates to capital allocation. Leverage has been sharply reduced given new pending and active regulations, so analysis here can help. Bankers should closely review business lines and not be afraid to wind down those that just aren't economical anymore. Asking a project team to review line performance in the context of new regulations, the ability to charge customers or the ability to improve performance enough to make it worthwhile, may surface areas where resources could be better allocated and boost future performance.

Yet another potential project could come in the form of retesting the strategy. One test here is to make sure it is clearly articulated and see whether it would attract investor capital. ROEs have tanked from double digits pre-crisis to single ones now, so strategy and structure are critical. Bank valuations range from 0.5x tangible book to about 3.0x, pointing to the huge disparity in what the market sees as a so-so vs. a valuable franchise. Assigning a team to review business mix, processes, loan and deposit relationships and expense base can help move the needle. Calculate what exactly it would take to drive the efficiency ratio to 60% and 50%, then see where you can improve things further and

put a plan in place to start moving in that direction. As you do, our advice is to start with a plan, break bigger projects into smaller ones, keep focused and stay positive. Do this and before you know it the project will be done.

## **BANK NEWS**

### **M&A**

Coronado First Bank (\$166mm, CA) will buy San Diego Private Bank (\$129mm, CA) for about \$15.5mm in stock.

### **M&A**

U.S. Bancorp announce it bought FSV Payment Systems for an undisclosed sum. FSV manages and processes its own prepaid card programs.

### **Competition**

Wells Fargo announced it is rolling out its Wells Fargo Mobile Deposit program nationwide. The program allows customers to make deposits by taking a picture of the front and back of a check using a smartphone.

### **M&A Interest**

A new survey from Bank Director magazine and Crowe Horwath finds 57% of banks plan to make an acquisition in 2013, but of those, 89% plan to buy and few want to sell. Those seeking to buy said they planned to purchase a healthy bank (46%); a mortgage origination business (29%), branches (21%) or banks from the FDIC (17%).

### **More Fed**

Fed officials are reportedly happy with the progress that has been made in the banking and housing sectors since the crisis began, but are not pleased with the unemployment rate or the pace of economic growth, so are considering doing more stimulus in 2013. Recall that Operation Twist (\$45B per month bond purchase program) ends at the end of the year.

### **Regulatory Warning**

The CFPB is warning specialty credit reporting agencies that report on such things as consumer gambling debts, bounced checks, medical bills and employment activities that they are violating the law and will face action if they do not make it easy for consumers to gain access to their free annual report.

### **Fraud Indictment**

An IL State Representative, La Shawn Ford, has been indicted on federal bank fraud charges for submitting false income information when he applied for a credit line.

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