



## Take A Dog's Approach To Small Business

by [Steve Brown](#)

We have all met people who seem to have a cloud of negativity surrounding almost everything they do. These are people for whom the glass is always half-empty. According to research out of Australia, optimists and pessimists abound in the canine world as well. Through a series of tests, researchers found that optimistic dogs expect more good things to happen and are more likely to take risks in order to earn rewards. Pessimistic dogs, on the other hand, showed signs of being more cautious and risk averse and were therefore less willing to try new things. We assume that the cautious dogs are the canine world's Chief Risk Officers.

These days, there are many reasons to be optimistic about small business. For 15 consecutive quarters, small firms have contributed to employment growth - accounting for as much as 80% of job gains in any given quarter, according to the SBA.

Given the many issues that plagued small businesses during the downturn, there's a growing sense of optimism now. According to the latest Wells Fargo/Gallup Small Business Index, small business owners are the most optimistic they have been in more than 6Ys and they are feeling the most upbeat about the year ahead since the start of the Great Recession.

When small business owners feel more confident about their company's financials, they're more willing to hire and make investments. For banks, this is good news, as with this renewed sense of confidence, we'd expect to see more demand for loan products and increased willingness on the part of owners to pay for business banking solutions.

As you are trolling for new opportunities, it may make sense to focus on specific niches where growth is likely. Sageworks, a financial information firm, has identified five industries with the highest sales growth (after examining the recent financial statements of US private companies). Those sectors are: computer services, architectural services, employment firms, consulting firms and accounting services.

Take computer services as an example. The sector is growing at an annual rate of about 15%, based on financial statements ended in the last 12 months, according to this analysis. Certainly there is huge demand for technological innovations and the need is likely to continue to grow. After all, data security and fast access to information have become even bigger issues for companies of all sizes.

The need for architectural services, meanwhile, corresponds with improved construction trends and a healthier economy. This sector has experienced nearly 14% growth recently, according to the analysis.

While the research is meant to help entrepreneurs looking to start a business, it may also help you identify underserved areas where your bank could lend a hand. There are many opportunities for

banks to get in on the ground floor with these companies, certainly in terms of lending, but also in offering banking services that budding business owners would find useful.

We know how hard it can be to bring profitable new business into the bank. As such, take a chapter from the optimistic dogs who are always on the lookout for the possibility of treats or a walk. Then, also learn from the risk averse canines who avoid a bully's yard on their walk. By taking a similar approach in looking for growing businesses that make sense for your bank, you should be able to take advantage of a better economy and find success for your bank going forward. Now that's barking up the right tree.

# **BANK NEWS**

## **Branch Closures**

Independent Bank (\$2.2B, MI) will consolidate about 19% of its branches (14 of 74), as it adjusts to declining branch volumes and increased mobile and other electronic channel usage.

## **Deferred Comp**

Reuters reports the Fed is exploring ways to push banks to require longer pay deferrals and other forms of pay forfeiture and claw backs.

## **Job Cuts**

Bloomberg reports 83% of respondents to a quarterly poll say the banking industry will continue to cut jobs in 2015. Heavy competition, low interest rates and extreme regulation levels are key reasons for the sentiment.

## **Weakness Abroad**

China reported its economy grew a 7.4% in 2014, marking the slowest annual pace in 24Ys.

## **Decay Rate**

The FDIC defines the "decay rate" as an estimate of the amount of existing non-maturity deposits that will run off over the life of the deposit.

## **Surge Deposits**

The FDIC reminds bankers that while historical data on deposit pricing provides a good starting point and some perspective for developing assumptions, banks should consider qualitative adjustments to deposit betas to reflect the possibility that surge deposits will be strongly rate-sensitive once interest rates start increasing.

## **Risk Measurement**

PwC's 2014 Global Banking Risk Culture Survey finds 33% of respondents say they do not have access to readily available reports and dashboards to identify risk in real time. Despite this issue, about 80% said they agree or strongly agree that adequate controls are in place to identify potential risk violations.

## **Raising Capital**

Banking and regulatory officials say that European regulators have been increasing pressure on banks in the region to increase capital levels above the formal regulatory requirements.

## **Economic Growth**

The Wall Street Journal reports that a group of blue chip economists projects a 3% GDP growth rate for this year.

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