



Executive Management Road Tour (SF) - Day 1

by [Steve Brown](#)

Today and tomorrow, we bring you some reflections and insights from our [Executive Management Road Tour](#) held in San Francisco, co-sponsored by a leading accounting firm, RSM. This year we decided to bring in another market-leader in their industry, RSM Accounting Firm as a co-sponsor, to share their expertise as well. The theme of the conference was overcoming today's challenges and capitalizing on tomorrow's opportunities. Our 17th annual community banking event brought in nearby bankers from CA, WA, AZ, CO and NV. It also brought in bankers from as far away as AK, ND, NE, AL, TX, IA, KS, MO, OH, WI, CT, MD and HI.

We started the day with a chief economist expert highlighting the challenges in today's economic environment and mapping out the key factors which could determine direction. Key takeaways were that any growth above 1.5% should be seen as healthy right now and that both tax cuts and regulatory relief are anticipated - which would tremendously help community banks' profitability. While low unemployment is an important metric to show economic health, the tight labor market also takes more valuable resources in hiring and keeping key employees. The probability of an imminent severe downturn is believed low at this point, yet some community bankers expressed concerns about the effects of high housing prices and the tight labor market.

Community bank C-suite executive roles and responsibilities were covered at this event as well. That session provided an overview of the important skill sets needed for community bank leaders in a dynamic market, some of which may be contradictory to the old ways of an industry hardwired toward traditional approaches. For example, banks are often organized by department still today; when in fact, customer relationships often spill over into more than one department. Community bank leaders may find it difficult to be flexible today when customer needs are quickly changing. But, to help with this, 5 key tips were presented to consider for transformational banking leadership, including staff empowerment and building teams.

It is no surprise that digital banking continues to be an important topic for community bankers as well. Approximately 50% of attendees said they had digital initiatives for 2017. Yet, as some new community bank customers recently came from the bigger banks with more sophisticated digital expectations, community banks need to be cognizant of how to manage varying levels of customer expectations with their digital offerings. Although community banks have started to offer digital products, they haven't seen substantial results. According to a 2016 Digital Banking Report, only 8% of community banks and credit unions believe advanced analytics are a top priority vs. 47% of big banks. Information from the core providers could be leveraged to analyze and better understand customer behavior to drive digital product strategy. This session rounded out discussing the planning and execution of a digital roadmap for overall best results.

Last but certainly not least, CECL was discussed in two full sessions. There is still much to learn and know about this new accounting rule. According to our rough calculations, 300 pages of CECL guidelines multiplied by at least 5 experts' additional resources with the expectation of reading 25 pages/hour for 4 hours/day brings the number of days it takes to read the most relevant CECL

material to 15 full business days. Given your current to-do list, that may be hard to work into your schedule. As with any big changes, such as core conversions or M&A, it can be even more challenging. The good news though is that so far, most of us are in the same boat, as no one in the conference room had yet figured out exactly what to do with CECL beyond collecting data at this point.

As a bank, PCBB understands the regulatory challenges involved in CECL and is taking the same steps as you to implement this new accounting rule. At this conference, it was announced that PCBB now has a CECL solution and has begun offering it to community banks. Through our experience, PCBB experts can help you manage the process for a seamless transition to CECL. If you would like to hear more, let us know.

BANK NEWS

Customer Service

Capital One (\$388B, VA) said it will cut 400 jobs from its customer service operations, after improvements in digital tools now allow customers to resolve more issues themselves (so call volumes have declined).

AI Risk

Tesla CEO Elon Musk says people should be more concerned about artificial intelligence (AI) than North Korea, saying it has "vastly more risk than North Korea." Musk pointed to the fact that AI has defeated some of the world's best video game players in a game that is much more complex than chess or Go. He also most assuredly saw Facebook's AI created its own language between bots that had to be shut down.

More Work

A RAND survey finds more than 50% of Americans do work during personal time to meet employer demand.

CRO Time

A Deloitte survey of board members and C-suite executives on risk management finds Chief Risk Officers spend their time as follows: an operator that seeks to balance risks in the company (27%), a strategist that participates in aligning risk management strategies with company strategy (27%), a steward that ensures appropriate oversight and governance (26%) and a catalyst that engages with leadership and helps define and execute strategic objectives in line with risk appetite (21%).

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