The Cost Of Doing What You Have Always Done

by Steve Brown Topics: board of directors, strategic planning, performance

Summary: Board meeting structure is often a given. But, maybe it is time to review it for the best ROI.

The employee fabric of community banking and of your customers has been and will continue to profoundly change. Look no further than the fact that in 2015 the number of millennials in the workplace surpassed baby boomers to move into the majority for the first time. Roll that forward another 6Ys (2025) from now and millennials will account for 75% of the global workforce. Maybe it's time to revisit your HR practices, succession planning and product/service delivery as you adjust and adapt.

Speaking of adapting your efforts of all sorts, one that is often ignored, but should not be, is the board meeting structure. After all, it takes a lot of time not only to gather board package data for each meeting, but that spills across nearly all groups, slows productivity and in many cases is so backwards-looking that it usually isn't even something directors can change or guide. To better optimize your board meetings, we have pulled together some data and research to help you.

The first thing to think about perhaps is how many meetings you actually need to have each year in order to set a baseline. Here we find a Bank Director survey is helpful. It finds that bank board meeting frequency for those with assets <$10B is 12x per year. This is particularly interesting when you consider banks >$10B, which should have much more complex business models, likely receive more regulatory scrutiny, have to follow more rules, and many of which have the extra regulatory burden of being public, only meet 8x per year.

Imagine the possible positive return you could achieve by reducing the burden on your management team, cost savings, productivity boost and overall business impact of eliminating 33% of your board meetings. If the largest banks can do it, why can't your bank and where else can you pick up 33% more time and at least 33% less cost in anything else that is so easy to do.

Next, let's look at the committee structure and meeting frequency. Here we find the largest banks >$10B have committee meetings a median 4x per year, except for Audit and Compensation, which meet 9x and 6x respectively. For banks below this asset size, most of the committees meet on a similar 4x per year frequency, but Audit is about 5x and Compensation is only 3x. Given the structural and business differences between asset groupings, these seem to be about right.

However, a very interesting difference surfaces when you compare the meeting frequency of Loan committee for banks >$10B at 4x per year with a range of 12x to 24x for various asset groupings below this larger bank size. Clearly, the largest banks have delegated this effort to management more than smaller banks who still actively involve directors in the activity. Changing this one is probably trickier for community banks but here again, times are changing and information is more distributed, so perhaps this also needs a closer look to seek improvements.

We are out of space, so we will get into the numbers in more detail in a future edition. But we wanted you to at least be thinking about this, because it is highly unlikely that your bank needs to hold more board meetings than the bigger banks. So perhaps like everything else in the industry, it is time to re-evaluate your bank's practices with an eye towards return on investment.

BANK NEWS

JV Ended

Bank of America has ended its electronic payment services joint venture with First Data now that it has been acquired by Fiserv. Bank of America will take a non-cash pretax impairment charge of about $1.7B to $2.1B as part of the termination of the partnership dating back to 2009.

Banking Pressure

The largest bank in China (ICBC) and two of China's largest distressed debt management companies will buy more than 17.3% of troubled Bank of Jinzhou, as the government moves to provide support. Bank of Jinzhou ($113B in assets) is a troubled bank and follows the seizure of Baoshang Bank ($61B in assets) in May.

M&A

1) Associated Bank ($34B, WI) will acquire The First National Bank in Staunton ($540mm, IL) for $76.3mm in cash (100%) or 1.22x tangible book. 2) Wintrust Financial ($34B, IL) will acquire Countryside Bank ($594mm, IL) for $90.5mm in cash (50%) and stock (50%). 3) First Financial Bank ($1.1B, AR) will acquire First National Bank of Wynne ($340mm, AR) for an undisclosed sum. 4) Multi-bank holding company Ames National Corp ($1.5B, IA) will acquire Iowa State Savings Bank ($211mm, IA) for an undisclosed sum. 5) Frist Option Bank ($323mm, KS) will acquire Pony Express Community Bank ($73mm, MO) for an undisclosed sum.

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