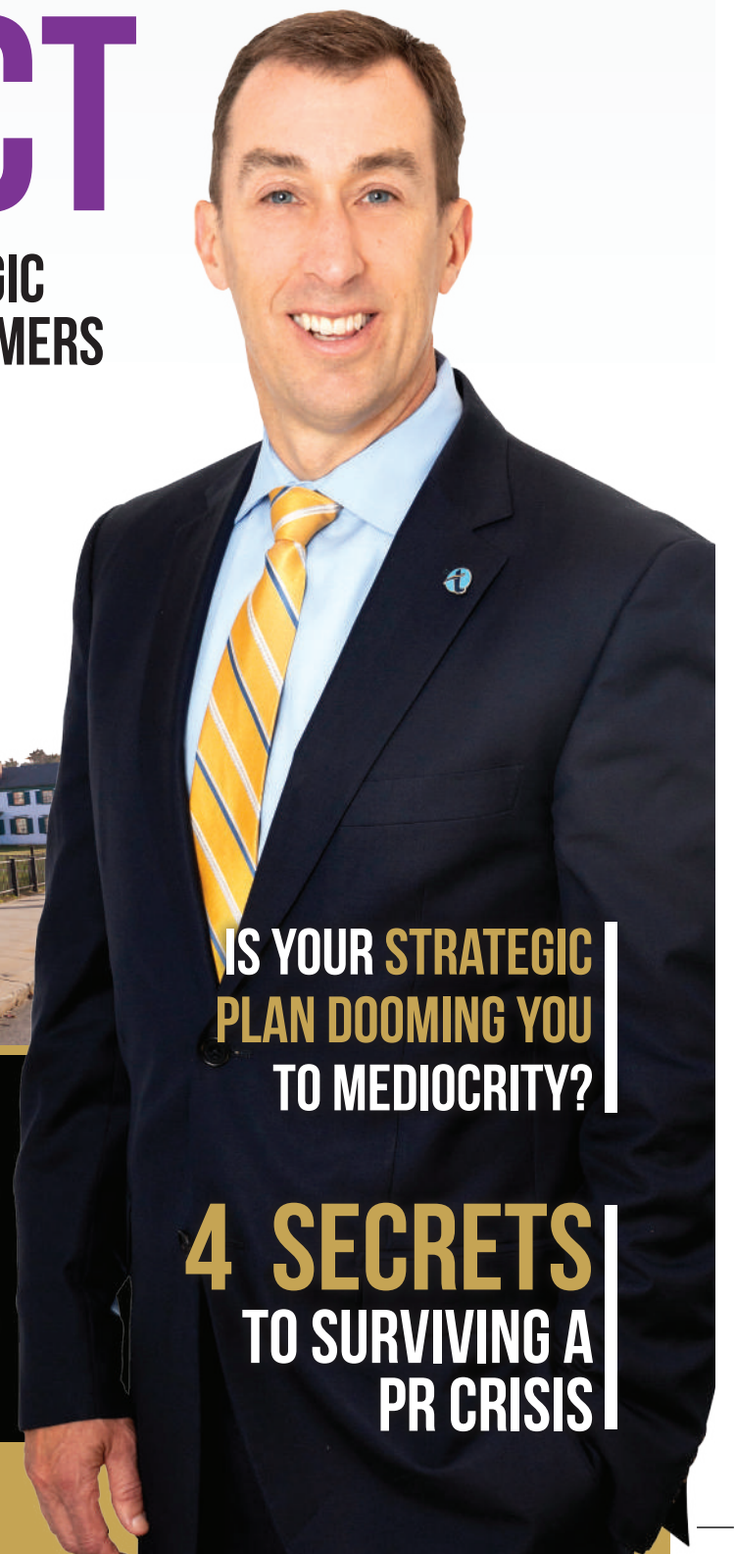
$19.97 | ISSUE NO. 23

EXTRAORDINARY BANKER

IN PURSUIT OF THE EVER-ELUSIVE "BANK SALES CULTURE"

THE STRATEGY-EXECUTION DISCONNECT

WHY MOST BANKS STRUGGLE WITH STRATEGIC EXECUTION AND HOW TOP-OF-PEER PERFORMERS GET RESULTS



HOW THEY DID IT:

THOMASTON SAVINGS BANK

NAMED #1 BY FORBES

IS YOUR STRATEGIC PLAN DOOMING YOU TO MEDIOCRITY?

4 SECRETS TO SURVIVING A PR CRISIS

LETTER FROM THE EDITOR

Happy summer! It's a great time of year, but also means that 2018 is more than half over. Are you more than halfway done with your strategic objectives, sales goals, and profit targets?

After working with hundreds of community banks, I've discovered one *very big* difference between "average" banks and The Best Banks in America™.

That difference is that the best banks link strategy to execution from the C-suite right down to the teller line. Everyone—and yes, I mean *everyone*—in a top-performing bank understands how their daily actions add up to deliver on the promises made in the strategic plan.

In contrast, in an *average* bank, the strategic plan is just a "fluffing up" of last year's plan—and the one from the year before, and the year before that. There's rarely any real, measurable movement forward.

You may have followed the path of the average bank until now, but the future can be different!

In a few weeks, I'll be in Minneapolis celebrating with our country's top-performing banks at The Best Banks in America™ Super Conference and the Fifth Annual Extraordinary Banking Awards.

At the conference, the leaders of 59 award-winning banks will be networking and sharing what's working now to grow their banks. If you want to discover what makes these great banks highly profitable *and* low risk, I recommend that you call The Institute's offices today to find out if there are any seats still available.

Every year, I'm blown away by the generosity and humility of this group of winning executives. They don't hold back. If you're trying to figure out what to do next to jump-start your bank, clear your schedule, because *this is the place you need to be*. I'll see you September 10-12 in Minneapolis.

In the meantime, read this issue to explore why and how to *reinvent your bank*. The market is moving faster than ever, and banks that creatively embrace the change and proactively reinvent themselves at least every three years will be the ones that lead their peers—and maybe even gobble them up.

If you're working on reinventing your bank, drop me a line. I'd love to hear how you're doing it.

To your profound success,

Roxanne Emmerich
Founder, The Institute for
Extraordinary Banking™

TABLE OF CONTENTS

Issue No. 23 | August 2018 | ExtraordinaryBanker.com

LETTERS TO THE EDITOR

Email: Editor@ExtraordinaryBanking.com
Please include your mailing address and telephone number.

EXTRAORDINARY BANKER®

FOUNDER AND EDITOR
Roxanne Emmerich

CREATIVE DIRECTOR
Steve Gordon

GRAPHIC DESIGN
LineaArt

WRITERS
Roxanne Emmerich
Gerard Braud
Daniel Burrus
Jeff K. Davis
Dragica Grbavac
Chris Mercer

ADDRESS
One Liberty Corporate Center
6625 West 78th Street, Suite 200
Bloomington, MN 55439

TO ADVERTISE, CONTACT
Leadership Avenue Press
Phone: (952) 737-6730
info@ExtraordinaryBanking.com

LEADERSHIP AVE
Leadership Avenue Press

THE RELENTLESS RUSH TO MEDIOCRITY:

WHY YOUR STRATEGIC PLAN IS BLOCKING YOU FROM TOP-OF-PEERS PERFORMANCE

By: Roxanne Emmerich

Imagine a strategic plan that elevates you to a whole new playing field. One that makes your competitors irrelevant in your market. And imagine if that plan had you pull ahead during challenging times, growing your organization even as your competitors struggled to clean up bad loans. While they froze salaries and slashed culture, marketing, and learning and development costs—the very investments needed for future success—you created a breakaway plan to catapult to a level of performance you never dreamed possible.

Business has changed, but most banks still hang onto an outdated strategic planning process: a methodology that usually doesn't assure success but rather that they will be left behind, or at best, will rush relentlessly toward mediocrity.

WHY REINVENTION MUST BE PRIORITY #1

It wasn't long ago that most organizations enjoyed long and healthy lifespans. They took the slow road to top financial performance, and the road to decline was gradual as well. Back then, reinvention wasn't "a thing" because there was little need for it: Consider that just 50 years ago, the life expectancy of a Fortune 500 company was about 75 years.

Now it's 15 years. No, that's not a typo. And even worse, that number continues to decline.

> It is the job of every executive to support the decision of the team or CEO once it is made regardless of any disagreement at the time the decision is discussed.

You've witnessed it in your lifetime.

There was a time when Kodak had 90% of the film market and sold 85% of all cameras. Even though it had a long history of market domination and extreme profitability, the company filed for bankruptcy in 2012. Why? It failed to reinvent in the face of dramatically changing technology and consumer preferences.

Blockbuster peaked at over 80,000 employees in 2004 but failed to reinvent in the face of threats from mail order, DVD kiosks, and Internet streaming because they were "the best." Six years later, they filed for Chapter 11 protection.

And banking is no different. Doesn't it feel like just yesterday that we had over 18,000 community banks? Enough said.

Here are four of the most common mistakes most banks make that keep them regurgitating their "same-ol' same-ol'" plans, putting their franchises at risk of demise.

MISTAKE #1: NO *PROCESS* AND *COMMITMENT* TO REINVENT EVERY THREE YEARS

Dr. Nadya Zhexembayeva is a strategic planning expert revered by Fortune

continued p. 20

Congratulations

Forbes names 17 Emmerich Clients and Alumni to "The Best Banks and Credit Unions in Every State"

Congratulations to all our client and alumni banks just named to Forbes' new list of The Best Banks and Credit Unions in Every State.

Ranking #1 in the nation:

Thomaston Savings Bank, Connecticut

See Thomaston Savings Bank's success story

Anderson Brothers Bank, South Carolina
BankNewport, Rhode Island
East West Bancorp, California
First Arkansas Bank & Trust, Arkansas
First Financial Bank, Texas
First State Community Bank, Missouri
FirstBank, Colorado
Great Western Bancorp, South Dakota
Heartland Bank and Trust Company, Illinois
IBERIABANK, Louisiana
Merchants Bank, Minnesota
Nodaway Valley Bank, Missouri
Passumpsic Savings Bank, Vermont
Rockland Trust, Massachusetts
Summit Community Bank, West Virginia
Two Rivers Bank & Trust, Iowa

the Emmerich group inc.

Ready to start your journey to top-performance?

Attend an Emmerich event.

See pages 16-17 and Page 31 for details.

Stephen Lewis, CEO, Thomaston Savings Bank

HOW TO BE NAMED #1

IN CLIENT EXPERIENCE BY FORBES

And how you can model Thomaston Savings Bank's success...

ROXANNE EMMERICH: It seems that congratulations are in order! Forbes named Thomaston Savings Bank not Number 3, not Number 2, but Number 1 in client experience. What an amazing accomplishment for you and your team.

STEVE LEWIS: Well thank you, Roxanne! It was an incredible recognition by Forbes and for the bank, our staff, and our customers.

Roxanne: When you're chosen out of almost 6,000 banks, that's a good day. Obviously, this didn't just happen overnight. Tell us about some of the conscious choices you've been making to be sure your customers are taken care of and that they feel the love.

Steve: We've really wanted to focus on every point of contact with our customers. I know with them, it's those moments of truth, and we recognize how important that is. It starts with the basics, including the physical locations and how our staff handles our customers.

It's not just a smile and "hello" that's important, but they are also prepared to meet each customer's needs and find the right products and services for them.

Roxanne: Let's go there for a second. It's interesting how the words "cross-sales" has received a bad name because of some negative publicity with one of the big banks—but cross-sales basically means taking care of your customers and meeting all their needs so they don't have to go someplace else. So cross-sales is actually a metric of trust. Tell us how you make sure that your customers don't have go elsewhere for their banking needs.

Steve: I must say, we've been working with The Emmerich Group for a little over a year now and have invested a lot of time in a seven-step retail sales process. Using the skills and structure we've learned through that process, we've been able to train our staff to do needs-based questioning with customers so they're getting

continued p. 6

2018 Sales and Marketing Bootcamp

THIS EVENT WAS A GAME-CHANGER FOR OUR BANK

The only event in banking where you'll get the blueprint you need to WIN THE DEPOSIT WAR

Community bank CEOs across the country are concerned. Acquiring deposits is a new and growing problem. Just last week, one executive confessed that his need to increase loans three months ago is now trumped by the need to add deposits—and fast.

Most bankers believe getting low-cost deposits is hard. Elite bankers know the truth.

It's Easy with the Right Blueprint

At the Summit, you'll get the tools, templates and step-by-step formulas to win large low-cost deposits:

- **The Million-Dollar Checking Account Blueprint**—Land BIG-TIME business accounts repeatedly.
- **The Cross-Sales Breakthrough™ Formula**—Banks routinely double cross-sales (ethically, by adding real, bottom-line value) within a few months of discovering the formula.
- **The No-Risk Net Interest Margin Expander**—A proven process to increase your net interest margin by 20–30 basis points in a year (while improving loan quality).
- **The One-Question-Stop-Rate-Matching Script**—Do not let your people respond to another rate inquiry until they're armed with this script! They'll turn rate-shoppers into value buyers—ready and willing to pay you a premium.
- **The Million-Dollar Marketing Vault**—Our proven templates, letters, emails, and scripts for targeting the most profitable customers in your market.
- **The Loan-Growth Maximizer™**—Simple actionable system for growing loans (without ever matching rates or lowering lending standards).

Who Should Attend?

- Ambitious, results-oriented CEOs and Presidents
- Senior Executives
- Board Members

Event Date & Venue

November 14-15, 2018
Atlanta, GA

SEND ENOUGH PEOPLE SO YOU CAN BEGIN TO IMPLEMENT AND SEE RESULTS WITHIN WEEKS.

FOR MORE INFORMATION ON THIS EVENT
visit **EmmerichFinancial.com/Bootcamp2018**

BOOK NOW OR RISK LOSING HUNDREDS IN EARLY-BIRD SAVINGS.
CALL NOW FOR EARLY-BIRD PRICING

(952) 737-6730

continued from p. 4

It's not just a smile and "hello" that's important, but they are also prepared to meet each customer's needs and find the right products and services for them.

what they need.

It's not a sales push like some of the larger banks. Wells Fargo really went in the wrong direction with it. We're identifying what the customer needs and providing that. We see that as a service to our customers, and they appreciate it.

Roxanne: And that's what your customers told Forbes during the research for the rankings—they feel the care you show. I think the pendulum has swung too far in the banking industry and people are now saying, "Oh, we shouldn't be thinking about product sales," but in fact, helping people buy what they need is how we show that we care. It's how the customers measure trust that the advice we're giving them is what matters to them. You've been a good, solid bank for a long time. In fact, I have told you how consistently your key metrics move up in a straight line. That is a sign of a good management system.

In the last year, you've been hockey-sticking some of those numbers, one of them being the client experience—obviously because Forbes noticed!

Now, we all make mistakes, and I always feel it's better to learn through other people's mistakes as opposed to making our own. So, would you share what you learned on your journey to helping each customer satisfy their financial needs in one place—your bank?

Steve: In the past, we tried implementing a sales program several times and didn't get the results we wanted. It was isolated to the branch and the retail staff, but the executive team wasn't fully vested in it.

So, this time around it was a bank-wide initiative. Everybody was involved, and we had support all the way through the organization. That was one of the keys to success: Everybody had to know that this is not just a flavor of the month, this is a long-term commitment to make our customer experience the best it can be.

By providing our staff with training in a standard approach to interacting with the customer, they become more confident with those interactions, which enables them to do their job better and to make the customer feel like they're really getting good information and the support they need to make their decision. And we didn't give up after six months. We kept pushing through and kept doing it, repeat, repeat, repeat.

We're also tracking everything. We have reports and numbers and look at the results, and we can see if there's something slipping or missing, and then we'll go out and train with those people or that area that needs to improve.

Roxanne: I've been in your shoes, trying to transform a bank to a sales culture as most bank CEOs like you have. Many have already brought in the outside training firm or hired an internal trainer and already had a few failures. Let's be frank—it's hard to go back into the same water and go after it again. And so, you must have had some moments when you thought, "Maybe this isn't such a good idea." Tell me a little bit about that journey, because attempting to accomplish what had not worked before is always risky.

Steve: As we started embarking on this next step with customer experience and sales, we really had to do some due diligence on the process. Your folks showed us what you do, talked about how well you've done it, and for us, that was enough. We spoke with a lot of different folks that have worked with you to see what their experience was. We even talked to some of their employees. We had an opportunity to go to one of your conferences and got to interact with people who'd been with the program for three months and others who had been in it for ten years.

Once I felt comfortable with it, the next part was getting the rest of my team to buy in. So, I brought some of my key executive team members out to one of the conferences. That was critical.

Roxanne: After Jim Collins did his research on the 3,000 best business decisions ever made, he said there was one thing that was consistent—dissension on the executive team. Typically, there are always one or two people on each executive team who resist. Collins says that to be an executive of

continued p. 18

5 SECRETS TO CAPTURING LOW-COST DEPOSITS

(Free Online Masterclass)

Register now to discover the secrets to win more low-cost and non-interest-bearing deposits.

ENOUGH ALREADY!!

*Credit unions are offering insane rates on deposits and **stealing your customers.** You don't have to lose this game.*

When you attend, you will receive:

- **The Million-Dollar Deposit Formula:** A formula for repeatedly landing million-dollar checking accounts without ever being asked to compete (yes, really!)
- **The Deposit Maximizer Template:** How to target and successfully call on the very best prospects in your market.
- **The Cross-Sales Game Plan:** A process to maximize low-cost, sticky deposits from your existing customers.
- **The Premium Pricing Blueprint:** The exact tool our most successful banks are using right now to get all the low-cost deposits they want.
- **And even more!**

"DEPOSITS ARE UP BY $7 MILLION (58% OF OUR ANNUAL GOAL... IN THE FIRST QUARTER)"

"We set our goal to grow our core deposits by $1 million dollars a month, $12 million for the year, and **through the first quarter of 2015 we are up $7 million.** We believe what we are doing with The Emmerich Group is making a difference!"

—S. Jones, President and CEO, Home State Bank, 2016 Extraordinary Bank of the Year Winner

26 OF OUR 29 BANKS ARE ABOVE CORE DEPOSIT TARGETS

"Our focus on the sales process has led to growth in our core deposits, adding significant value to our organization in the long run. Twenty-six of our twenty-nine banks are in excess of their target levels."

—M. Scheopner, CEO and President, Landmark National Bank

INCREASED CORE DEPOSITS 31.1% PER YEAR, ON AVERAGE

"In 2015, we increased average non-interest-bearing deposits by 23.7%. In 2016, we increased them by 31.5%. **And in 2017, we increased average non-interest-bearing deposits by 38.2%."**

—L. Harrison, President and CEO, Virginia Partners Bank/Maryland Partners Bank

Register NOW by going to:

ifeb.co/2018deposits

Pre-Head: Executive Development

THE INSTITUTE FOR EXTRAORDINARY BANKING™
SAVING AMERICA'S COMMUNITY BANKS

Are Your Executives Maximizing Their Potential? Are Their Replacements Ready?

We've heard from hundreds of bank CEOs who candidly admit, "Our next group of leaders isn't ready for the challenge."

That's a big problem, when you, and your current team are happily flirting with retirement. Some banks have already failed to fix the problem and were forced to sell when the current leaders retired.

Still others confessed that their current team is fractured, not aligned or challenged by communication breakdowns.

There's a solution... The High-Performance Bank Executive Development Program designed for current CEOs and C-Suite executives, and those who are on a C-Suite track.

Unlike other executive development programs in banking that only teach the mechanics of running a bank, this is the only program designed to elevate your game, and show you and your executives how to win the new game of high-performance banking.

In the program, you and your executives will master:

- How to tie everyone in the bank to profit and your strategic plan objectives, so every executive, manager and employee knows what actions to take today to deliver on and be accountable to your profit goals.
- How to master communication systems to align results and foster a strong culture of accountability to what matters.
- Critical thinking skills to make better decisions faster and a system to execute faster on those decisions with complete accountability from your team.
- How to manage confrontational situations (with other executives and with employees) with grace, candor and principles, so that the high standards of performance and accountability are upheld while maintaining the dignity of each individual.
- A method for presenting your ideas to large and small groups for maximum persuasion and impact.
- How to manage your relationship with your board to deepen their confidence that they have the right executives.

Plus, you'll be armed with tools and templates to simplify your job, including:

- **The Succession Planning Blueprint:** A system for building your bench strength.
- **The Monthly Board Report Template:** Simplify your reporting and focus on the essential.
- **The Weekly Planner:** Create intentional congruence between the achievements you will report to the board, and your actions each week.
- **The SIR Formula:** A framework and template for your staff to use to present ideas for approval that allows you to make better decisions and execute on them faster without surprises.

And even more...

EVERY measure has improved!

In less than two years...

- Total assets grew from **$256 million to $400 million!**
- **Loan quality improved, while we grew** from $230 million to $340 million! Corporate culture score improved from 5.69 to 6.34, with improvement in every measure!
- **Cross-sales moved from non-existent to consistently over 4!** Profitability increased from **$1.6 million to over $3 million!**
- We achieved excellent regulatory ratings!
- **We successfully raised $22 million in new capital!**
- We were voted one of the **Best Places to Work in Oklahoma!**

S. Kouplen, Chairman & CEO, Regent Bank

79% of Our Employees are At or Above Target on Their Critical Drivers

Before ... we had great people, but we didn't have an accountability culture. **Now, 79% of our employees are at target or above on their critical drivers.**

B. Monts, President, Hoosier Heartland State Bank

THE INSTITUTE FOR EXTRAORDINARY BANKING™
SAVING AMERICA'S COMMUNITY BANKS

To learn more about if this is right for you

Call (952) 737-6700

STRATEGIC PLANNING

in the Context of a Robust M&A Environment

By Jeff K. Davis, CFA and Chris Mercer, FASA, CFA, ABAR

IF YOUR BOARD IS NOT FOCUSED ON THE EVOLVING M&A ENVIRONMENT AS PART OF ITS STRATEGIC PLANNING PROCESS IT SHOULD BE!

Exit prices are good and getting better for sellers, which forces buyers to focus more intensely on why a given acquisition at a specified price will enhance value for shareholders. Stated differently, M&A math is not fuzzy; nor should a board's planning be fuzzy.

After a slow start, M&A activity among US commercial banks and thrifts picked up to the point where 2018 should look like recent years. Historically, approximately 2 to 4% of the industry is absorbed each year via M&A. Since 2014 the pace has been at or slightly above 4% as a well performing economy, readily available financing, rising stock prices for bank acquirers, and strong asset quality and earnings of would be sellers have supported activity.

There were 140 announced transactions according to S&P Global Market Intelligence through early July, which equates to 2.4% of 5,913 FDIC-insured institutions that existed as of year-end 2017. The average assets per transaction based upon YTD activity was $656 million, which is below the 28 year average of $1.1 billion.

Pricing has trended higher as measured by the average price/tangible book value (P/TBV) multiple, which increased to 172% in 2018 from 164% in 2017 and about 140% in 2014-2016 before the sector was revalued after the national election on November 8, 2016.

The median P/E based upon trailing 12-month earnings increased to 26x in 2018 from 23x in 2017 and 21x in 2016; however, the 2018 P/E based upon trailing 12-month earnings does not reflect a full year impact of the reduction in the top marginal federal tax rate to 21% from 35% that occurred on January 1. The adjusted P/E assuming the lower tax rate was in effect for 2017, too, is around 20-22x.

Lower tax rates notwithstanding, it appears that buyers are still paying roughly 9-13x pro forma earnings assuming all expense savings are fully realized, a level of pricing that we believe has existed for many years excluding periods when industry fundamentals are stressed.

CASH DEALS VS. MIX/STOCK DEALS

Dig deeper and, of course, there is more to the pricing story. The reduction in tax rates has had a material impact on profitability. Depending

continued p. 22

In Pursuit of the Ever-Elusive "GREAT BANK SALES CULTURE"

Why All Banks Try but Only a Rare Few Succeed

By: Roxanne Emmerich

"It's Hollywood!" he bellowed at the black-and-white set, between bites of vanilla ice cream swimming in chocolate sauce, as Neil Armstrong took his first steps on the moon. How could an aging, nearly-blind farmer in his 70s, more fluent in Polish than English, imagine a world so distant from rural Wisconsin? This was the same man who, much to my father's dismay, couldn't part with his workhorses, which he irrationally clung to as an insurance policy long after they served any purpose. The leap of faith required to accept a man walking on the moon was simply beyond his capacity.

This scene of my first overnight visit to my grandparents' farm was my earliest memory as a toddler.

Unfortunately, my grandfather's inability to believe something that was so far from his current reality is an archetypal pattern that repeats itself across nearly every facet of human experience. These patterns are prevalent in banks as well. Grandpa's workhorses did once plow his fields, but by the time of my visit, they just cost him money to feed and keep healthy. Likewise, we too have "know it to be true" beliefs that *were* true at one time but now act as albatrosses around our necks, threatening our very existence. And unfortunately, we can't see them for what they are until it is too late.

Getting a great sales culture is a marathon. Most banks have never run a marathon before, but all they do is buy a new pair of shoes, drink a kale smoothie, and expect to go 26.2 miles. Then they wonder why they fail.

Would you like some examples? There are many to choose from.

The simulations we did at graduate schools of banking taught us that if you need deposits, you advertise CDs at higher rates. That strategy, which worked beautifully in the past, is now crushing NIMs to below 4 for many banks and making it impossible to attract the right types of deposits. The result of that diminishing profit flow will be the demise of the next round of banks to be flushed out of the marketplace.

We falsely believe that "sales training" combined with "incentives" is the formula to a top sales culture. Yet the truth is that in thousands of banks, over decades, it has hardly ever had a positive impact—and almost always actually had a negative one.

continued p. 26

Unlock the Secrets to

LAND LARGE LOW-COST DEPOSITS

Finally, give your bankers the template they need to systematically attract large, low-cost, sticky business deposits, MUNICIPAL ACCOUNTS, and even more business from existing accounts.

The Accredited Banking Professional™ Program transforms your people from "order-takers" or rate-matchers into business development stars.

Let's face it. Asking what it will take to earn a targeted prospect's business or offering to do an analysis of their costs means you almost always won't get the business. Or, even worse, you win, but it becomes one of the 87% of your clients who aren't profitable for you.

Already tried the "lender incentive pay" and the "more calls" approach and found out what thousands of banks before you found — it doesn't work? You're not alone.

What works today is a revered, elite deposit professional. One who is business-term savvy. Who understands investment products and what they do. Who knows their way around a balance sheet so they can have credible conversations of value.

One who has the confidence to know that when they set foot in the door of a highly-desired prospect, they will bring such massive value that the business or affluent person can't imagine their life without your banker.

THE INSTITUTE FOR EXTRAORDINARY BANKING™
SAVING AMERICA'S COMMUNITY BANKS

GRADUATES OF THIS CERTIFICATION PROGRAM MASTER:

- How to analyze a company's financial statements to spot opportunities that add bottom-line value and lessen risk.
- Basic tax nomenclature used by the affluent such as 1031 Exchanges and Section 179 expenses. They will speak credibly with a business owner, and identify opportunities to make an impact for the business.
- Investment language so they can understand and see opportunities as appropriate. If they don't know what REIT, EFT or Mutual Funds are, it's hard to have a conversation of value with an affluent person.
- How to differentiate with impact to create a desire for clients to switch accounts to your bank (despite loving their current bank).
- A proven sales process for attracting million-dollar checking accounts—one after another. (You'll be amazed at your employees—the ones who would barely come out from behind the desk— now enthusiastically jumping at the chance to call on a prospect.

THEY'VE MASTERED THE SALES PROCESS

"I have been so impressed with how our 'Accredited Banking Professionals' have done with the sales process. They have quickly become nearly as proficient as our best commercial lenders. Their confidence is through the roof and they are doing excellent."

C. Floyd, CEO & President
First National Bank of Syracuse #2 on 2016 SNL Top 100 under $1 Billion, 3-Time Banky™ Award Winner

SESSION 1 OF 2018 IS SOLD OUT AND UNDERWAY

To find out if your bank qualifies for the next Accredited Banking Professional™ Program, call The Institute for Extraordinary Banking™ at

(952) 737-6700

4 SECRET WEAPONS for Dealing With a Modern Banking Crisis

By Gerard Braud, CSP, Fellow IEC

THERE WAS A TIME WHEN BANKS DIDN'T MAKE THE NEWS UNLESS THERE WAS A BANK ROBBERY. THE CRISES THAT COULD ATTRACT MEDIA ATTENTION WERE RELATIVELY LIMITED. BUT TIMES ARE CHANGING, AND THE BLAME RESTS LARGELY ON SOCIAL MEDIA.

When a customer has a negative experience, they vent and rant on social media. Their friends share similar stories. Soon unknown trolls appear out of nowhere, throwing gasoline on the smoldering fire. Before you know it, it reaches a critical mass. The media gets wind of the situation and runs with it. In a matter of hours, a problem that might have been managed quietly becomes a three-headed monster: a media crisis, a social media crisis, and a customer service crisis.

An event moves from situation to crisis when it has the potential to significantly damage both an organization's reputation and revenue.

Gone are the days when you can wait or pray that something will blow over. Today, your response and communications must move at the speed of Twitter.

Here are four secret weapons for effective crisis response and communications.

1. PREPARE THE MESSAGE

The first secret weapon is a library of pre-written news releases or communication statements. When strategically written with a proper combination of fill-in-the-blank, multiple choice, and declarative sentences, such a statement can be edited and ready to use within ten minutes of any situation arising. Your library of news releases should include all of the standard banking issues, as well as issues such as a data breach, natural disasters, executive misbehavior, or acts of violence. When ready to use, your statement should be read to the media as a news conference script, posted to your company website, emailed to all employees, sent to customers if necessary, and shared as a link on your social media sites. One identical statement should serve all audiences. Because it is a pre-written document, members of the crisis management team and the legal team can pre-approve the language so there are no arguments or delays on the day it is needed.

> **"These days, little things become big things quickly, affecting your reputation and revenue."**

2. PREPARE THE PLAN

The second secret weapon is a strategically-written crisis communications plan that guides both the executive team and the communications team through the process of gathering, confirming, and disseminating information in less than one hour of any event going public. Do not use the typical boilerplate document that most public relations firms craft and call a crisis communications plan. Too many only state the most basic of standard operating procedures. A modern crisis communications plan should contain a decision matrix that helps leaders decide whether the statement they have prepared should be held or released. Although most organizations are best served by issuing a statement to the media, customers, and employees, there are rare occasions when you should say nothing.

3. PREPARE YOUR PEOPLE

The third secret weapon is a staff of well-trained spokespeople who can read a pre-written news release in a news conference, then flawlessly answer questions. If you have been through media training for good news but have never been grilled for a negative story, it's time for more training. Find a trainer who can be brutally realistic, not someone who lacks the spine to be tough on an executive.

4. PRACTICE

The final step is to schedule time for a crisis communications drill. Your facilitator must script a drill scenario that can test your crisis communications plan, your business continuity plan, your emergency plan, your spokespeople, and the decision-making process of your crisis management team. The goal is to mess up in private so you never mess up in public. Such drills should happen at least once a year.

These days, little things become big things quickly, affecting your reputation and revenue. Proper preparation before a crisis can minimize the negative effects, paying huge dividends for your company, your customers, and your shareholders.

About the writer: **Gerard Braud, CSP,** Fellow IEC is a global media and crisis communications expert who has practiced his craft on five continents. A former journalist, Braud reported from the front lines of breaking news for 15 years. Since 1994, his passion has been helping organizations protect their reputation and revenue when a crisis breaks out. Learn more at www.BraudCommunications.com

These Banks

LAUNCHED THEIR SUCCESS

AT AN EMMERICH EVENT...

"Transformed Our Bank"

*"**We increased our ROA and boosted Net Interest Margin by over 100 basis points each, in less than 18 months.** The culture change has transformed our bank. Our CFO now thinks the sky is the limit."*

K. Beckemeyer, President and CEO
Legence Bank

Increased Cross-Sales Across all 29 Branches by 297%

*"When we started with you, cross-sales were in the 2s, and **now we're in excess of 5 on average across the company, with some banks well in excess of 7."***

M. Scheopner, President and CEO
Landmark National Bank

"We Have Seen Improvement Each Month...!"

"Since implementing the Emmerich 7-Step Retail Sales Process, we have been able to **improve our new customer average cross-sale results from 2 to an average of 5.43 in just 5 months.** *We have seen improvement each month due largely to the ongoing coaching and training of the Process!"*

S. Lewis, President and CEO
Thomaston Savings Bank

"We've hit a 6.7 average for cross-sales for our whole team"

"For a team that didn't ever think about sales before a year and a half ago, that's wonderful. ***We've hit a 6.7 average for cross-sales for our whole team*** *and have had individuals as high as 12!"*

S. Jones, President
Home State Bank

2016 Extraordinary Bank
of the Year Winner

"Nearly $8 million in assets per employee"

"Nearly $8 million in assets per employee *while voted Top 50 Best Places to Work in Iowa – 3rd Year in a row."*

J. Burnett, CEO
Libertyville Savings Bank

"I can't imagine any CEO who wouldn't want this!"

"We not only met EVERY goal in ALL our branches, but ***we exceeded many of our goals by 100 percent!*** *Our entire organization acts like a team! I can't imagine any CEO who wouldn't want this."*

C. Hoffman, President and CEO
Richwood Bank
2015 Extraordinary Bank
of the Year Award Winner

Book now or risk losing $1,500 in Early Bird Savings.

For more information on this event, visit
EmmerichFinancial.com/Bootcamp2018

CALL NOW FOR EARLY-BIRD PRICING (expiring soon!)

952-737-6730

~~$2,495~~ for first attendee
~~$1,495~~ for additional attendees from the same organization

THE INSTITUTE FOR
EXTRAORDINARY BANKING™
SAVING AMERICA'S COMMUNITY BANKS

INTRODUCING
THE BEST BANKS IN AMERICA™
SUPER CONFERENCE

WHO SHOULD ATTEND?

Board Members, CEOs, Presidents, and Senior Execs – Especially your heads of retail and commercial.

The ***only*** conference where CEOs of the nation's elite community banks share what's working right now to beat net interest margin compression, get high-quality loans at premium pricing, double cross-sales, and make your next acquisition immediately profitable.

Every other conference gives you theory and sales pitches. Here you get the missing ingredient…

"How do you achieve 'high performance?'"

Projections show that there will only be 2,000 banks left in 2020…

This program is for those survivors committed to remaining top of peers!

We've gathered a group of ambitious, elite CEOs from top 5% performing banks. Many presenters and panelists are on the 2016 SNL Top 100 list. They've agreed to share their secrets of their success…

These are banks that have shed the shackles of rate matching and figured out how to get the best-quality, highest-profit clients in their markets, all at premium pricing.

WITH SPECIAL KEYNOTE SPEAKER

CAREY LOHRENZ

1st Female Fighter Pilot and author of Fearless Leadership: High Performance Lessons from the Flight Deck.

A pioneer in military aviation, having flown missions worldwide as a mission-ready, United States Navy combat pilot, Carey is uniquely qualified in the fundamentals of winning under pressure, reducing errors and overcoming obstacles. Her mastery of these fundamentals can help your team triumph in this high-risk, time-crunched world.

> *"I've attended 24 years of high-performance networks and affiliations. They all have magic formulas and calculations to tell me how much more money I can bring to margins and profit. The missing ingredient was 'how.' We finally found an integrated system of both numbers and understanding with Roxanne Emmerich's system. We have a real program that has translated to high energy and commitment for every single employee. It works!"*
>
> ***– R.L. HARMON JR., Chairman and CEO, Bank of Tennessee***

5th ANNUAL

IMAGINE...

Masterminding in a room with elite CEOs and execs like R. L. Harmon Jr., getting the exact strategies he uses to dominate his market...

ROXANNE EMMERICH

Where else can you go to get this concentrated, focused, "peek behind the curtain" look at how to win the new game of banking?

Where else can you get beyond the theory and get proven tools, templates, and the exact blueprints to…

- Conquer net interest margin compression without resorting to high-risk loans.
- Drive double-digit loan growth with every deal at premium pricing, exclusively with A+ quality credits.
- Double, even triple your cross-sales in a matter of months, while improving customer outcomes and operating with even more integrity and fiduciary care towards every customer.
- Transform every member of your team, from the teller to the janitor to the C-suite into a salesperson for the bank… without sales training, and in a way that never feels like sales.
- Create a results-oriented culture, where every person in the bank FINALLY understands how they contribute to profit, and are accountable for delivering.
- You'll even discover how to flip "accountability" from something scary into the one thing that creates excitement and happiness for your team.

COMMENTS FROM LAST YEAR'S ATTENDEES

"The speakers were awesome. The contest was motivating. I walked away with many new ideas & strategies that I can implement right away."

"Having so many brilliant minds in the room willing to share their successes and failures easily pays for the time away from the office and the cost of the conference."

"If becoming one of the best of the best in community banking is your goal, this is the forum! It's all about learning from other high performing community bankers and speakers on topics that matter!"

THIS IS THE "SUPER CONFERENCE" FOR BANKERS WHO WANT TO MOVE BEYOND BEING "TRANSACTIONAL" TO BECOMING "TRANSFORMATIONAL."

KEYNOTE SPEAKERS

CHRIS MERCER

ROXANNE EMMERICH

MIKE MICHALOWICZ

JOHN GORMAN

Register Now

September 10–12, in beautiful Minneapolis, Minnesota.
Register today at BestBanksinAmerica.com or call (952) 737-6700.

continued from p. 6

In the past, we tried implementing a sales program several times and didn't get the results we wanted.

an effective organization, you get your voice heard prior to a decision, but then once a decision is made, you line up and support the decision.

Your team supported the decision well, in spite of two previous failed attempts and was supportive of you and the process. How would you say your executive team has grown through this period of time as they were learning how to create a more results-oriented organization?

Steve: The change point was when we went to the strategic planning session in Minnesota. When we're here in the bank, you have a couple hours in a meeting, you're distracted, you have different things going on. When we went out to the strategic planning session we had three days all together, talking strategically about this new direction we're taking, and we really got to go through where we had concerns, where we thought it could falter. If anyone had doubts, we were able to express them and talk openly with each other with no distractions. I think it was a great turning point for us, and we've continued to build upon that.

Roxanne: Well, you've done a wonderful job. Steve, there are probably other bank CEOs out there who are in the same shoes that you were in last year, who are thinking about taking a journey of results-oriented transformation and are very inspired by your results and they want that too. What kind of advice would you give them?

Steve: The first thing I would say is don't try to do everything at once. Really lay out a plan of how you want to improve your bank and which areas you want to focus on, then target each area one at a time and get that area right.

Sometimes people try to take on too much, and by doing that, they will get overwhelmed and as a result don't get anything done right. I think just incrementally, just take one thing at a time, get it done the way you want it and then move on to the next. At the end of the year, if it takes a year or takes 18 months to make that change, when you're done, you'll look back and say, "Wow, we've come a long way."

Roxanne: Can you tell me a bit about where you started, where you moved it to, when you got intentional about really making sure that the customers don't have to go elsewhere to meet their banking needs?

Steve: Yes, I can tell you that. So, in August of last year, cross-sales were at 2.7. We expect to finish out July just under 7. I believe it'll probably be about 6.8 to 6.9—depends on how we're doing this week, but I expect we'll be just under that 7-mark. It's been pretty much every month, we've seen improvement. It's been fantastic with our new customers.

And just as importantly, I know we hear that at a lot of banks right now, liquidity is an issue. We've had significant growth in our deposit base—much of that from our core checking, and core savings… and it just keeps coming in. We've been averaging about 180 new customers each month, which has been fantastic—especially combining that with our average cross-sales of just under 7. So, it can be done.

Roxanne: And those customers aren't going anywhere else. When they bring seven products and services to you, that basically says, "We love you." So, congratulations on the journey to that epic result. Please give our enthusiastic support to your team and let them know how thrilled we are that you received this extremely elite designation for Forbes. You've worked hard for it and it paid off.

Steve: Thank you. They're so proud of what they've done.

Roxanne: As they should be.

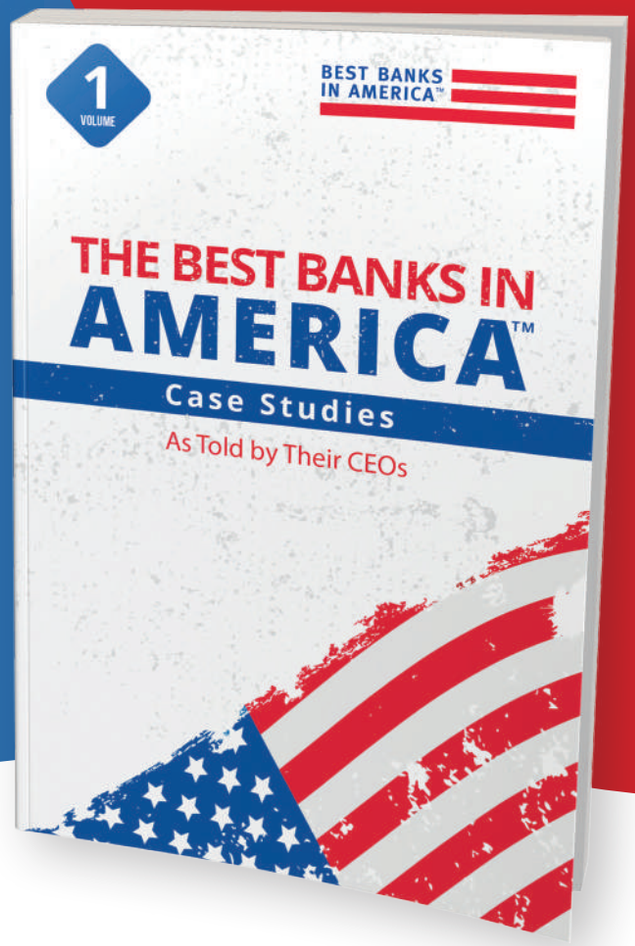
What if you knew the

INSIDER SECRETS

of the highest-performing, fastest-growing banks in America?

Available For Free

THE INSTITUTE FOR EXTRAORDINARY BANKING™
SAVING AMERICA'S COMMUNITY BANKS



IN THIS BOOK, DISCOVER HOW THEY:

- Grow Net Interest Margin by 30–40 basis points (while increasing loan quality)
- Average 7+ cross-sales per new account across the entire bank
- Create an accountability culture where every employee knows exactly how they tie into the profit of the bank

REQUEST A FREE COPY

for each of your executives and board members today:

ifeb.co/best-banks-vol-1
(952) 737-6700

CaseStudy@ExtraordinaryBanking.com

The Best Banks in America™ Case Study Series: Volume 1

continued from p. 2

500 companies. She says: "What separates companies that survive from those that go down is the ability to start a new life-cycle—to pivot their company far enough from the path of destruction to find a new opportunity for growth. But if before you had 30+ years to reach the prime, today you might only have 3 years. That means that barely 2-3 years into your existing business reality, you must start the reinvention cycle anew."

Every three years, your organization needs a plan that completely reinvents your business while not straying too far from what brought it to that point.

MISTAKE #2: IRONICALLY, STRONG MANAGEMENT IS THE PROBLEM

Having reviewed over a thousand bank strategic plans, I can now look at a plan and predict with remarkable certainty if a bank will sell, merely survive, or be top of peers in the next five years.

Banks that create a plan to increase their profits by 10% or less rarely make the relevant changes to remain top of peers. Most of them, quite frankly, will sport new names on their buildings as a result.

The executives of these banks mean well. Many of them are excellent stewards of their banks and very good at tweaking previous plans. They are strong *managers*—but not strong *leaders*. They are trying to do what's right, but their strategic planning process is failing them.

Fine-tuning and tweaking is the necessary work of management, but it needs to be balanced with rock-solid *leadership*. Strong leaders can see future trends and the resultant possibilities. They know how to capitalize on "hard trend" opportunities without abandoning the mother ship or steering too far from the course that has brought previous success.

In short, they respect the past, but they don't have a death-grip on it.

Now consider a bank with a plan to increase profits by 100% over a few years while only marginally increasing risk—and possibly even reducing it. A bank with that plan and the right strategies to implement it will almost certainly surpass the "shoot for 10%" club. An aggressive plan forces thought leadership and effective implementation of strategies, letting the bank stay nimble and flexible as it charts a new direction. Historically, many of these banks not only reach that 100% profit improvement goal but exceed 200% or even 300%—all because of their ability to reinvent.

An aggressive plan forces thought leadership and effective implementation of strategies, letting the bank stay nimble and flexible as it charts a new direction.

MISTAKE #3: CORPORATE NARCISSISM

While "too big to fail" is a slogan that often arouses an emotional reaction, the real killer of community banks is the "too *good* to fail" belief system.

Banks sometimes fall in love with their own processes, results, business model, and products and become unwilling to challenge what is seemingly "working."

In his classic 1997 book *Innovator's Dilemma*, Clayton Christensen explained this phenomenon when describing why great firms fail to reinvent: "The reason is that good management itself was the root cause. Managers played the game the way it was supposed to be played. The very decision-making and resource-allocation processes that are key to the success of established companies are the very processes that reject disruptive technologies: listening carefully to customers; tracking competitors' actions carefully; and investing resources to design and build higher-performance, higher-quality products that will yield greater profit. These are the reasons why great firms stumbled or failed when confronted with disruptive technological change."

When our successful creations are so appealing that we keep endlessly updating and improving the old rather than creating the new, our own self-love becomes our worst enemy as reinvention suffers.

Most banks focus on new opportunities only in the area of technology. The reality is that new customer experience systems, enhanced differentiation, improved sales processes, and reinvented product lines and alignment processes are usually far more lucrative. While technology improvements help an organization keep up with customer needs, most are at best a "me too" addition, because any advance is quickly matched by competitors.

MISTAKE #4: BEING HELD HOSTAGE BY THE NEED FOR CONSENSUS

Most CEOs are enlightened individuals who understand that humility and authenticity are their greatest leadership strengths, but they often have difficulty dealing with an individual on the executive team who holds it hostage. While others may have done their research on a possibility and determined that implementing a strategy could result in annual bottom-line improvement of (for example) $6 million, often one person pushes back. The person may "just not like it" or think "I can do it myself." In the meantime, millions remain on the table.

Many CEOs say they can't move ahead unless they have "buy-in," which they define as having the entire executive team buy in. However, research by Jim Collins on the 3,000 best decisions ever made in business shows that complete buy-in rarely occurred.

If your plan is held hostage by an outlier who won't support your plan, the rest of the team should demand that the objector present an alternative plan to accomplish the same goal. If the executive "doesn't like" the proposed plan, what *does* he like that would create an equivalent $6 million a year impact on the bottom line? If the dissenting executive could "do it herself," then the obvious question is: "Why hasn't she already?"

Time is also a factor. (Isn't it always?) If the executive team has a solid plan to annually add $6 million in profit, every month of delay costs $500,000. How much extra time will the holdout's alternative plan require? And how much time—at over $15,000 a day—will the executive team waste figuring out which plan to follow? And how long does that executive get to start dropping massive results that reveal that they can produce a result near the $6 million. The clock is always ticking, so not deciding to move ahead is in fact a decision itself.

It is the job of every executive to support the decision of the team or CEO once it is made regardless of any disagreement at the time the decision is discussed. Old-school management books taught consensus as a decision-making model. We've all read them. It sounds lovely but is neither a credible nor effective model for high-performing organizations. Simply put, new research shows that those who insist on managing via consensus often fall dramatically behind their competitors who don't.

Strategic planning season is upon us. Ask yourself how many years it has been since you reinvented yourself. If the number is close to three, or above that figure, it's time to embark yet again on the next leg of your journey to remaining relevant and top-performing.

> Business has changed, but most banks still hang on to an outdated strategic planning process: a methodology that usually doesn't assure success but rather that they will be left behind, or at best, will rush relentlessly toward mediocrity.

Roxanne Emmerich is the Founder of The Institute for Extraordinary Banking™, Editor of *Extraordinary Banker®* magazine, host of Extraordinary Banker TV, and CEO of The Emmerich Group®. For nearly 30 years she's shaped the thinking and the results of The Best Banks in America™.

The key to reinvention is asking good questions. For a "cheat sheet" of questions you should be asking right now to become and stay a top-of-peer performing community bank, go to http://EmmerichFinancial.com/Reinvention

continued from p. 10

upon the index bank stocks rose 25-30% in the three months after the national election on November 8, 2016, on the expectation of what has mostly played out: a reduction in corporate tax rates, less regulation, higher short rates and faster economic growth.

The improvement in public market multiples has supported expansion of M&A multiples when the majority of the consideration consists of the buyer's common shares. The median P/TBV and P/E ratios for transactions announced in the 20 months since the election were 173% and 23x compared to 147% and 20x for the 20 months ended November 8, 2016. Multiple expansion is even more pronounced when only 2018 deals are considered because the YTD median P/TBV and P/E multiples are 193% and 25x.

Not surprisingly (to us), the median multiples for cash deals did not rise as much, increasing to 141% after the election compared to the 20 month pre-election median of 123%. Cash did not inflate in value unlike public bank stock valuations; hence, the only meaningful factor that drove the improvement in cash acquisition multiples was the increase in ROE.

In addition, cash activity slowed post-election because buyers and sellers waited to see if would be sellers' earning power would increase from a reduction in corporate tax rates, which was not confirmed until late 2017. Transactions in which the primary form of consideration consisted of the buyer's common shares did not have to wait for the tax issue to be resolved because buyer and seller both faced the issue.

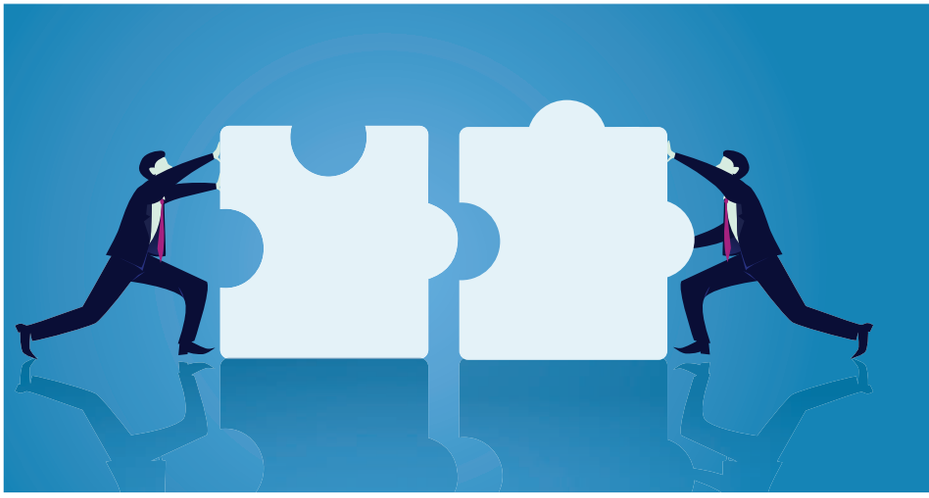
SMALL DEALS, LARGER DEALS AND PERHAPS BIG DEALS

M&A is largely a story of the consolidation of the small banks by large community and small regional banks. Two decades ago the theme was the same, but overlaid was the formation of the nationwide and multi-region franchises through mega-mergers such as NCNB/Bank of America and Wells Fargo/Norwest.

Since the financial crisis activity has mostly been confined to small deals with deal values a fraction of the pre-crisis and especially pre-2000 amounts. Annualized year-to-date deal value is $33 billion, which compares to approximately $26 billion annually during 2015-2017. By comparison, the value of announced transactions in 1997 and 1998 were many multiples greater at $97 billion and $289 billion.

During the past five years there only have been 10 deals that exceeded $2 billion of consideration and 22 deals in which the consideration exceeded $1 billion through July 6.

Change may be afoot, however. Fifth Third's $4.6 billion pending acquisition of MB Financial is its first bank acquisition since 2008, and it was



announced a couple of days before President Trump signed into law the Economic Growth, Regulatory Relief, and Consumer Protection Act. Among other things the financial deregulation law moved the SIFI asset threshold from $50 billion to $100 billion and provided significant relief for institutions that fall within the $100 billion to $250 billion asset bucket.

We look for more activity among mid-sized regional banks that are near or over $50 billion of assets; however, deal activity among the very largest banks is off the table given the $250 billion asset threshold for the global SIFI designation and the 10% nationwide deposit market share cap if pierced via acquisition.

PLAN TODAY!

The adage "banks are sold rather than bought" is true, meaning most banks transact when the sellers are ready to do so. Sometimes that occurs after years of planning; sometimes it occurs unexpectedly. Nonetheless, every bank board should explicitly plan where it wants to go as an organic grower, acquirer, seller or maybe a combination of all three. Strategic objectives related to shareholder value should not be left to happenstance.

> **"The adage 'banks are sold rather than bought' is true, meaning most banks transact when the sellers are ready to do so.**

Jeff K. Davis, CFA
Managing Director, Financial Institutions Group, Mercer Capital

Chris Mercer, FASA, CFA, ABAR
CEO, Mercer Capital

See Chris Mercer's keynote presentation at The Best Banks in America Super Conference, Sept. 10-12. The event is nearly sold out. See Pages 18-19 or go to BestBanksInAmerica.com for details.

2018 COMMUNITY BANKING EVENTS

SAVE THE DATE

Best Banks in America™ Super Conference

September 10–12, 2018 | Minneapolis, MN

The most exclusive gathering of elite, ambitious bankers in the country. This year's Super Conference is your opportunity to network with the top 1% highest-performing community banks. Discover the profit-rich secrets of the very best banks in America. **You'll get specific formulas to develop a full pipeline of high-potential leads with almost no marketing budget** and shift your people from order takers to business developers.

Call (952) 737-6700 for registration information or register online at: BestBanksInAmerica.com

September 11, 2018 | Minneapolis, MN

Extraordinary Banking™ Awards

The top and only industry event exclusively for elite, top-performing banks. You will rub elbows with, and discover the secrets of, the leaders of The Best Banks in America™. **No other event in banking captures the "boots on the ground" how-to formulas of high-performing banks.**

September 13–14, 2018 | Minneapolis, MN

Fast-Track Strategic Planning Think Tank™

Traditional strategic planning is used by banks that perform below their peers or below their potential. The consistently top-performing banks have a secret that few will ever share. **Their secret—a strategic planning process exclusively designed for results-oriented banks with double-digit growth, high NIM, and low efficiency ratios.** Discover what they know and walk out with a plan that drives profit, and a process for seamless implementation and accountability, like nothing you've ever experienced before.

For information call (952) 737-6730

October 1–2, 2018 | Minneapolis, MN

Bank Holding Company Association Fall Seminar

November 11–14, 2018 | Omaha, NE

ABA National Agricultural Bankers Conference

November 14–15, 2018 | Minneapolis, MN

Sales and Marketing Bootcamp™

The last Bootcamp of the year! Stop giving away margin and fees to get the sale. **Get the most profitable customers in your market to run to you AND happily pay extreme premium pricing.**

Call (952) 737-6730 for registration information or register online at: EmmerichFinancial.com/Bootcamp2018

CULTURE AND ACCOUNTABILITY START IN YOUR STRATEGIC PLAN

By Dragica Grbavac

DECADES OF EVIDENCE HAVE DEMONSTRATED THAT AN ORGANIZATION'S CULTURE IS A STRONG PREDICTOR OF HOW MUCH MARKET VALUE THAT FIRM WILL CREATE.

Having a living strategic plan is an essential part of how value will be created. It takes into account risk, assumptions, capabilities, and much more. Taken together, these factors combine to exemplify 'conduct' when choices must be made.

Every strategic plan has a 50/50 chance of succeeding. That's the Law of Unpredictability! To illustrate how business conduct occurs through the four stages of the planning process, I've relied on a few maxims. While some may seem cliché, they can be useful if leaders put real muscle into them at the appropriate time.

> **Ethical companies focus on training and empowerment during the planning process.**

I. ANTICIPATE - CLARIFY AND COMMUNICATE THE 'TONE FROM THE TOP' INTO STRATEGY

Business leaders must have clarity in the business scenarios of the future; hence the need for strategic planning. Being clear on direction is essential because when strategies are not successful, the company flounders on the banks of mediocrity. They don't actually fail; they stagnate, becoming indifferent or complacent, a situation far costlier to reputation and finances than failure itself.

The 'Tone from the Top' must operate on the 'Pull Principle' as opposed to a Machiavellian model of 'Push' to get results. The message is that of an expectation of ethics and the commitment to lawful and ethical conduct. CEOs are not naturally inclined to learn the nuances of ethical compliance, dismissing details as too 'in the weeds' for their attention – they rely on others for that. It is the Board's obligation and challenge to define their expectations regarding compliance and ethics, then give the CEO specific directions to ensure that compliance is on their radar, and from it, to provide periodic, substantive reports. This is when accountability is created. Like risk, business outcomes belong to everyone who has a role in planning and executing strategy.

The ability to anticipate different futures for the business is vital. I encourage executives to involve different levels of the organization in future business scenario building and typically recommend having no fewer than three possible business futures in the strategic plan.

II. FRAME - AN ACCOUNTABILITY FRAMEWORK FOR STRATEGIES

Phase 2 requires the collection and framing of optimal strategies, each of which aligns to a different future scenario. By understanding each of the possible futures, the executive team can be accountable for developing their strategies. Ownership of strategies is essential, as is knowing when to shift and adapt to changing circumstances for maximum results. At a time when the trust of employees and stakeholders is eroding, particularly in light of questionable methods of execution, it is

continued p. 28

HOW DO YOUR LENDERS COMPARE TO THE INDUSTRY BENCHMARKS? CAN YOU AFFORD NOT TO KNOW?

A LOW-RISK PROFILE **OUT-SELLS** A MEDIUM-RISK PROFILE BY **400%**

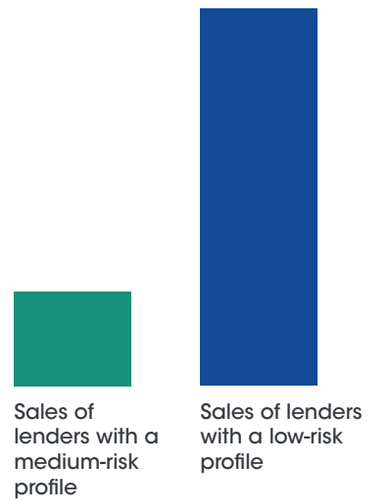
Research with thousands of lenders in hundreds of banks proves that a lender with a **"Low-Risk" sales profile on the ZERORISK Emotional Intelligence Assessment out-sells a similar lender with a "Medium-Risk" sales profile by 400%.**

As Jim Collins says in *Good to Great*, you've got to get the right people in the right seats on the bus.

Yet most banks insist on unscientific and unreliable methods for deciding how to structure their sales teams. The truth is, personality testing has an extremely low correlation to job performance. A better predictor of performance is emotional intelligence (sometimes called critical thinking). "But, how do you measure emotional intelligence?" you ask.

ZERORISK is the only emotional intelligence assessment with benchmarks for over 90 key banking roles, developed from in-depth correlation studies.

ZERORISK Hiring System®



Lenders sell 400% more with a low-risk profile compared to medium-risk profile.

"It greatly **enhances the accuracy of your hiring decisions."**
—S. Anderson, COO, River Valley State Bank

"ZERORISK is the art and science behind that part of our business strategy that is **based in improving our people and their ability to be part of a high-performance team."**
—A. McDonnell Jr., President and CEO, Citizens National Bank

"Since using the ZERORISK Hiring System, **our turnover rate has dropped from 40% to below 2% in the past 18 months."**
—S. Pajak, Vice President, St. Charles Bank & Trust

Qualification Criteria: To quality for this valuable FREE Trial of ZERORISK, you must be a senior vice president or higher in a community bank with assets of $150 million or more. If you meet these criteria, **don't wait, start your test-drive today!**

Stop guessing. **Test-drive the ZERORISK assessment on two of your lenders today—for free.** It will be eye-opening.

To claim your free trial, call

(952) 737-6730 or go to EmmerichFinancial.com/ZERORISK

continued from p. 12

Then we have the "few who get it," heavy-hitter mavericks model, which appears to be the source of safety and profit for some banks: a small handful of bankers with the large portfolios that often lack the premium pricing and cross-sales that would transform the profitability of the bank as a whole. A team system would often result in those portfolios garnering at least 100 to 150 basis points more on loans while also getting the bank the entire relationship. Meanwhile, those few heavy hitters are heavy influencers when they say they must match a competitor's rates. Once a bank gets to this point, it is probably true, but it wouldn't have been needed had the right sales system been applied. (Incidentally, it's not these people's fault. They mean well: it is the system that is wrong.)

Still others try a new sales training company every three years hoping that the team will have forgotten the damage to culture and lack of progress that resulted from the previous failed attempts. (See Steve Lewis' interview on Page 4.) They can't even fathom that there are banks that can move their cross-sales from 2 to 6 or even higher in just a few years—and do this not only avoiding the "hard sell" but solving client problems, transforming sales into a noble activity that builds client trust.

And one last profit-destroying archetypal pattern is the search for the outside "heavy hitter" lender from another bank who can bring over an entire portfolio. That was a bell-ringer for years—now, it almost never works. When I share with bank CEOs that I've rarely seen it work anywhere, they immediately express relief because they thought it was just them. It's not. These recruits hardly ever bring meaningful portfolios, and if they do, they usually contain loans that you'll pay for dearly in rate or quality issues.

IS GREAT BANK SALES CULTURE REALLY POSSIBLE?

Let's face it: There is hardly a bank in America that hasn't had "develop a sales culture" as a primary directive in its strategic plan nearly every year. Yet most remain at 2.2 cross-sales with a NIM under 4.25, on average. Even decades later.

Others can bring on all the loans they want, but only if they match rates, which is the road to perdition.

There are three key reasons why most banks that put developing sales culture as a priority for their 2019 plans will fail yet again.

1. The Illusory "Sales Training Solution"

Any logical thinker would assume that sales training would be a solid answer to a sales problem, but this is a case where what seems to make obvious sense really does not. The reality is that conventional sales training almost never works and almost always creates cultural carnage.

How could that be? If you are new to the principles of Organizational Development, the field of expertise recently made popular by Zappos, you may not know that the secret is in the psychology of how organizations learn, grow, and build confidence, in the process giving more than lip service to core values.

Training is not the answer—it never works. It doesn't address systems, organizational development, confidence building systems, stage-appropriate accountability and dozens of other topics that must be intertwined if you really want this to work.

Here's how conventional sales training typically plays out.

The sales trainer comes in and teaches a sales process used by many industries. Heads nod. A few are even enthusiastic.

And then it happens: The "slow walkers" come into play. Those who didn't vocalize their objections but are living t hem out. Those who are sure that if there is a performance culture, they will be held

The simulations we did at graduate schools of banking taught us that if you need deposits, you advertise CDs at higher rates. That strategy, which worked beautifully in the past, is now crushing NIMs to below 4 for many banks and making it impossible to attract the right types of deposits.

accountable for something to someone, and they're quite sure that it's not for them.

The trainer comes back and does the next session. Heads nod again. It all looks like it's going well.

Then, the hallway chatter picks up as a quiet but powerful mutiny begins, led by those who ran from large banks to escape a sales culture system that was blasphemous to their souls—often for good reason. Nobody, mind you, says anything—you see it in their behavior. Heads continue to nod in the training sessions, but the needles don't move. You get stuck in a passive-aggressive game that you will lose. Maybe cross-sales pop for a few weeks, but they never get over 6 within a year—most likely, they don't even get above 3. And then they roll back down to the industry average of 2.2 within a few months.

And then you give up. "More of them than us" is the "story," so *they* "win." But it's a false victory, because they will suffer when their salaries and travel are frozen during the next recession. The loss to the bank isn't just that yet another sales training attempt has gone awry. The real loss is that the next time you try to introduce any initiative that requires performance accountability of any sort, there is now an established pattern for "slow walkers" to make it go away quickly. If it works once, it *will* happen again. And the net result will be leadership's ability to lead being called into question.

The real loss is that the next time you try to introduce any initiative that requires performance accountability of any sort, there is now an established pattern for "slow walkers" to make it go away quickly. If it works once, it will happen again. And the net result will be leadership's ability to lead being called into question.

2. Incomplete and Misaligned Strategies and Systems for Long-Term Results Sustainability

Last weekend, my son Spencer ran a five-mile race in New York, averaging 5.44 minutes per mile. I can hardly bike that fast! Two years ago, when we traveled to Boston to watch him run the marathon, he went by us so fast that even though the app said that he was running by us, we never saw him. (So much for our Parents of the Year Awards…)

I can't even fathom that he can run that fast. There was a time when I could run faster than Spencer, but that was probably when he was four years old. Then I fell behind—big time. He kept working at improving his running, but I did not.

The point is that *if* my intended game were to be able to run as fast as my son—which it is not—I am quite sure that getting a bib number for the next marathon would not be the place to start. I'd go all in—the apps, coaches, running clubs, protein shakes with chia seeds…heck, I'd even read the Zen Running book I received for Christmas many years ago.

I might even set my alarm for 5:00 am on those 20-below mornings in Minneapolis (a significant deterrent to the likelihood of this ever happening).

And these are just a few of the things that I'd do. Why? Because *I'd be committed to my goal*. With an integrated system of training, tuned diet, learning, coaching, mentoring, tracking, and positive reinforcement for goals, I'd make consistent progress. I'd probably never get as fast as Spencer, but I'd continually improve my results, running faster and farther every year to reach my own personal bests—just like he did.

Most banks want a great sales culture, but they have no idea of how much time, energy, and commitment this requires. It demands a high level of proven systems integration, ongoing blended learning, and ever-advancing, stage-appropriate accountability. It requires aligning strategy, marketing, sales processes, and organizational development, and appropriate systems of advancement and integration.

continued p. 32

continued from p. 24

crucial to have a strategy that conveys integrity, transparency, and trust-building.

With increasing workplace diversity, interpretations of appropriate conduct are strained and under more scrutiny than ever. The expectation is conduct with integrity and no less. The effort will take time, persistence, follow-through and a great deal of engagement. It's not just about having a framework; it needs to be an effective management tool for planning and execution of strategy, inside and outside the organization.

During this phase of strategic planning, I especially recommend focusing on culture. By so doing, it demonstrates a *de facto* acceptance that employees are a priority and everything else is second. A plan that reflects this culture will determine how value is generated and measured over time. When people feel that accountability is exemplified and encouraged, with follow-up occurring predictably, trust in the plan is strengthened.

III. COLLECT - GENERATE STRATEGIC OPTIONS WITH INTEGRITY AND TRANSPARENCY

The third phase is to start to generate strategic alternatives and determine what is required. This is the toughest part of the process because assumptions have to be made. Assumptions will determine which strategic options are required and can change or even become invalid on a dime! That is why they must be checked continually.

So how do organizations help executives maintain integrity and transparency in selecting alternatives? They do it with a combination of role models, training, communication, and consequences—good or bad.

The building blocks include:

- **Conduct Norms:** Communicated in terms that all stakeholders can relate to and own
- **Policies & Procedures (P&P):** Support decision-making, risk-taking, innovation, interactions, information-sharing, incentives, compensation, resources, and more
- **Action-Based Trust:** Trust is based on actions and evidence, including executives' willingness to listen
- **Ethical Awareness:** Leaders become aware of strategies that align with their values and behave accordingly

Ethical companies focus on training and empowerment during the planning process. As management grows increasingly proactive, the conduct, level of performance, and overall cost of execution decreases. Once clear goals are set and feedback mechanisms are established, move on to the next phase.

> **The 'Tone from the Top' must operate on the 'Pull Principle' as opposed to a Machiavellian model of 'Push' to get results.**

IV. RUN - MEASURE AND MAXIMIZE PERFORMANCE

Imagine a world where teams, comprised of all types and levels of employees are structured in a way that makes work easier to get done, leveraging exponential technologies and applying the core skills of each individual. A place where persons are motivated to perform, regardless of their employment relationship with the company, because they believe in its strategy and purpose. This reality does exist in many high-performing organizations. And those organizations have earned the trust that their reputation has. It's time for the rest of us to get on board.

A strategic plan based on accountability that drives ethical business conduct is not only leverage, it is a **performance advantage.** Additionally, history and current-day practices reveal that when a company overcomes the 'ethics barrier' and adopts ethical behavior with a scorecard, they gain a decisive competitive advantage.

CONCLUSION

Business conduct manifests itself in all areas of an organization—its people, processes, and systems—and is acknowledged as one of the greatest risks that can erode trust and performance no matter how great the strategic plan. Building an ethical culture requires equal skills in policy-making, strategic planning, execution, and relationship building. The ethics of our workplace culture matter because the work itself matters. Achieving the highest levels of integrity keeps us out of trouble, but an ethical culture creates value and advantage for all stakeholders.

Dragica Grbavac is an internationally-recognized expert in leveraging risk and compliance to raise the bar on individual and organizational performance. She helps clients to overcome business challenges associated with change and achieving strategic objectives. She helps them solve complex issues, reduce risk, design relevant solutions and manage programs. She guides them to effectively plan and execute strategy by reducing risk and making risk-based decisions that are aligned to their organizational values.

You can contact Dragica Grbavac at Dragica@Uvidi.ca

Are you tired of your mystery shopping company giving you reports, but **no results?**

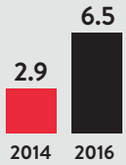
Discover the 13 best practices of bank mystery shopping that drive bottom-line results: Download the Bank Mystery Shopping Checklist at **EmmerichFinancial.com/bankshop**

"For a team that didn't ever think about sales before a year-and-a-half ago, that's wonderful. We've **hit a 6.7 average for cross-sales for our whole team** and have had individuals as high as 12!"

~ S. Jones, President & CEO, Home State Bank
2016 Extraordinary Bank of the Year Winner

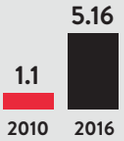
K. Knudsen
President
Security Bank

Increase in cross-sales



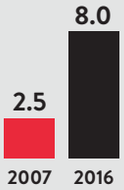
M. Scheopner
CEO
Landmark National Bank

Increase in cross-sales



C. Hoffman
President and CEO
Richwood Bank

Increase in cross-sales



If you want results instead of reports, call (952) 737-6730 for a free analysis and discover how to transform your mystery shopping from a cost to a profit driver.

Bank Shop®

The ONLY Mystery Shopping Program Designed to Increase Cross-Sales and Stop Rate Shoppers

THE STRATEGIC POWER OF CERTAINTY IN AN UNCERTAIN WORLD

By Daniel Burrus

ALL BANKERS KNOW THAT FINTECH COMPANIES—COMPANIES THAT ARE USING NEW TECHNOLOGY TO REDEFINE AND REINVENT BUSINESS PROCESSES AND THE CUSTOMER EXPERIENCE—HAVE BEEN DISRUPTING THEIR BUSINESS MODEL.

It's time for banks to become the disruptors instead of the disrupted!

AGILITY AND ANTICIPATION – TWO SIDES OF A POWERFUL STRATEGY COIN

There are two sides to a coin, and two sides to a successful strategy to turn change into opportunity. One side of the strategy coin is agility – learning to react quickly to problems *after* they happen and disruptions *after* they occur. Agility is a very important strategy because there will always be changes that are not predictable. Reacting quickly to change and disruption provides a competitive advantage over slower competitors, but because agility is a reactionary strategy, you will continue to experience disruption and will find it very difficult to make the shift to becoming a disruptor. Because technology-driven change is accelerating at an exponential rate, the competitive advantage of reacting quickly after something happens will have decreasing value every year.

The other side of the strategy coin is anticipation – learning to anticipate and solve problems *before* you have them, and to identify disruptions *before* they disrupt, allowing you to become a low-risk disruptor rather than becoming disrupted. Yes, I said low-risk! Think of it this way: If it can be done, it will be done, and if you don't do it, someone else will. The key is to learn to identify what will be done.

TO ANTICIPATE, USE HARD TRENDS

Developing an anticipatory mindset and learning to apply anticipatory skills can open enormous opportunities for bankers and financial institutions of any size.

Two cornerstones of my Anticipatory Organization Model are what I refer to as Hard Trends and Soft Trends. Hard Trends are based on future events that *will* happen. By learning to use Hard Trends to find certainty in a seemingly uncertain world, you will discover the confidence to make bold moves. Hard Trends can include such things as greater use of cloud technology and virtualized services across a variety of applications. Another Hard Trend is the demographic certainty of an aging population and the large number of people retiring every day. Our clients around the world have identified thousands of Hard Trends and related game-changing opportunities, and so can you.

Soft Trends, in contrast, are based on assumptions about the future. They represent future possibilities, events that may or may not occur. As you can imagine, that takes in a broad array of issues and topics, from political outcomes to which team will win the next Super Bowl or World Series. The advantage of identifying Soft Trends is that they are open to influence that can impact their outcome. Using the sports example I mentioned above, a losing team could make a trade for a key player to help them change to a winning team that could possibly win a championship.

Knowing the distinction between Hard and Soft Trends can be enormously valuable for established financial institutions as they counter the strategic moves fintech startups are making to disrupt them. For instance, by recognizing a Hard Trend – a future certainty – a bank can anticipate what sorts of opportunities and related strategies will have the best chance of success, such as using an A.I. chatbot similar to Amazon's Alexa to handle basic customer service questions. If the client asks a question the chatbot cannot answer, the call will be immediately directed to a human. Additionally, in recognizing key Soft Trends, bankers know those factors that are open to change. For example, if a fintech company is gaining market share at your expense, that is a Soft Trend that you can change. And the best way to change it is to innovate with the low risk that Hard Trends offer. Why? Because the risk has shifted. Because the Hard Trend will happen, the greater risk is in not doing it.

CAN A HIGHLY REGULATED INDUSTRY LIKE BANKING INNOVATE? YES!

Instead of making a list of all the things you can't do because of regulations, start by making a list of things you can do. For example, we used to think the cloud was insecure. That used to be true. But now the cloud is more secure, and that's why defense contractors and the military are moving to the cloud as quickly as possible. Have you questioned your assumptions lately? What is the risk of *not* moving to the cloud? And what other assumptions that are holding you back should you revisit?

MAKE CHANGE AND DISRUPTION YOUR BIGGEST ADVANTAGES

It's important to recognize that technology-driven change will continue to accelerate at an exponential rate. By incorporating the anticipatory strategies outlined in this article and in my latest best-selling book *The Anticipatory Organization,* you can best position yourself to leverage the rapid-fire presence of change and digital disruption as completely as possible.

Daniel Burrus is a *New York Times* best-selling author and the founder and CEO of Burrus Research, a research and consulting firm that monitors global advancements in technology-driven trends. His latest best-seller, *The Anticipatory Organization: How to Turn Disruption and Change into Opportunity and Advantage,* is a required read for leading organizations worldwide.

2018 Sales and Marketing Bootcamp

THIS EVENT WAS A GAME-CHANGER FOR OUR BANK

The only event in banking where you'll get the blueprint you need to WIN THE DEPOSIT WAR

Community bank CEOs across the country are concerned. Acquiring deposits is a new and growing problem. Just last week, one executive confessed that his need to increase loans three months ago is now trumped by the need to add deposits—and fast.

Most bankers believe getting low-cost deposits is hard. Elite bankers know the truth.

It's Easy with the Right Blueprint

At the Summit, you'll get the tools, templates and step-by-step formulas to win large low-cost deposits:

- **The Million-Dollar Checking Account Blueprint**—Land BIG-TIME business accounts repeatedly.
- **The Cross-Sales Breakthrough™ Formula**—Banks routinely double cross-sales (ethically, by adding real, bottom-line value) within a few months of discovering the formula.
- **The No-Risk Net Interest Margin Expander**—A proven process to increase your net interest margin by 20–30 basis points in a year (while improving loan quality).
- **The One-Question-Stop-Rate-Matching Script**—Do not let your people respond to another rate inquiry until they're armed with this script! They'll turn rate-shoppers into value buyers—ready and willing to pay you a premium.
- **The Million-Dollar Marketing Vault**—Our proven templates, letters, emails, and scripts for targeting the most profitable customers in your market.
- **The Loan-Growth Maximizer™**—Simple actionable system for growing loans (without ever matching rates or lowering lending standards).

Who Should Attend?

- Ambitious, results-oriented CEOs and Presidents
- Senior Executives
- Board Members

Event Date & Venue

November 14-15, 2018
Atlanta, GA

SEND ENOUGH PEOPLE SO YOU CAN BEGIN TO IMPLEMENT AND SEE RESULTS WITHIN WEEKS.

FOR MORE INFORMATION ON THIS EVENT
visit **EmmerichFinancial.com/Bootcamp2018**

BOOK NOW OR RISK LOSING HUNDREDS IN EARLY-BIRD SAVINGS.
CALL NOW FOR EARLY-BIRD PRICING

(952) 737-6730

continued from p. 27

Getting a great sales culture is a marathon. Most banks have never run a marathon before, but all they do is buy a new pair of shoes, drink a kale smoothie, and expect to go 26.2 miles. Then they wonder why they fail.

Most banks want a great sales culture, but they have no idea of how much time, energy, and commitment this requires. It demands a high level of proven systems integration, ongoing blended learning, and ever-advancing, stage-appropriate accountability.

3. Not Understanding the Link Between Culture and Confidence

I recently heard a speech by the top international "psychologist to the stars." She is brought in to help when high-stakes stars aren't getting what they need from their current therapists and are exhibiting career-limiting behaviors.

She said that there is only one crux of every limitation: confidence. Accordingly, her solution is always the same: build confidence.

That resonated with me because that's what I've been honored to do with the best banks in this country for almost three decades: build confidence.

Bankers seem stalwart, so the idea that they might lack confidence may seem odd, but it's very common.

They lack confidence that they can schedule sales calls for big deals or win them. They lack confidence that a prospect might want to do all their banking with them. They lack confidence that they can build the close relationship needed to ask sensitive questions to help someone in their community, so they don't ask them. They lack confidence that they can attract affluent business owners who "love" their current banks.

Sales training is often about telling people what they can do. But if they don't really believe it in their hearts, it's crazy to think it will yield any results.

You must first build the confidence and skills in your team. They must realize that being at the core of helping people accomplish their financial dreams is the noblest thing they can do. Only then can they utilize all that you can teach them.

THE KEYS TO GREAT BANK SALES CULTURE ARE IN YOUR HANDS

It may seem ever-elusive, but great bank sales culture is right there for the taking. You just have to know how to grasp it. Give culture the respect it deserves, understand how it works, provide your people with a foundation for success, and study only with those who know their stuff and have already done it repeatedly. Do all of this and set the intention to win, and you will—and so will your team, as they grow to be the best they can be.

Roxanne Emmerich is the Founder of The Institute for Extraordinary Banking™, Editor of *Extraordinary Banker*® magazine, host of Extraordinary Banker TV, and CEO of The Emmerich Group®. For nearly 30 years she's shaped the thinking and the results of The Best Banks in America™.

HOW DOES YOUR CULTURE SCORE COMPARE TO THOSE OF YOUR PEERS?

Culture is the Leading Indicator of Future Profitability

Discover how your culture score measures up to
THE WORLD'S ONLY DATABASE OF HIGH-PERFORMING COMMUNITY BANK BENCHMARKS

THE INSTITUTE FOR EXTRAORDINARY BANKING
SAVING AMERICA'S COMMUNITY BANKS

> "The U.S. banking industry should survey employees to gauge its internal conduct, as the U.K. has been doing."

William Dudley,
President, Federal Reserve Bank of New York (2009-2018)

> "Since we began surveying our culture, our scores go up every year—we wouldn't miss a year now. After years of trying to do it on our own, we now have a 'paint-by-numbers' plan for building a culture that drives profit. It keeps getting better every year."

Trey Etcheson,
CEO Hoosier Heartland State Bank

Mr. Dudley is correct. Your highest-performing peers survey their employees annually to gauge how their banks live their stated values… and that's "culture." Unlike generic culture surveys designed for "regular" businesses, which just let you get a pulse on the "feel" inside the organization; high-performing banks know you must go beyond that.

There is only one culture survey specifically designed for community banks. One that measures how every employee aligns with and is accountable to your strategic objectives and to profit.

What if you could compare your bank's numbers to a decade's worth of trend data from results-oriented, elite, high-profit banks?

Discover how easy it is to measure your culture using less than 20 minutes of each employee's time, and one hour of a coordinator's time. You'll gain the step-by-step blueprint needed to take your culture and your bank to an even higher level of performance.

(952) 737-6700

Discover the blueprint for creating a high-performance, results-oriented culture. **CALL TODAY**

THE INSTITUTE FOR EXTRAORDINARY BANKING™
SAVING AMERICA'S COMMUNITY BANKS

6625 West 78th Street, Suite 200
Bloomington, MN 55439

2018 Sales and Marketing Bootcamp

"THIS EVENT WAS A GAME-CHANGER FOR OUR BANK"

The only event in banking where you'll get the blueprint you need to WIN THE DEPOSIT WAR

Event Date & Venue

November 14-15, 2018
Atlanta, GA

Most bankers believe getting low-cost deposits is hard. Elite bankers know the truth.

Who Should Attend?

- Ambitious, results-oriented CEOs and Presidents
- Senior Executives
- Board Members

SEND ENOUGH PEOPLE SO YOU CAN BEGIN TO IMPLEMENT AND SEE RESULTS WITHIN WEEKS.

FOR MORE INFORMATION ON THIS EVENT
visit **EmmerichFinancial.com/Bootcamp2018**

BOOK NOW OR RISK LOSING
HUNDREDS IN EARLY-BIRD SAVINGS.
CALL NOW FOR EARLY-BIRD PRICING

(952) 737-6730