

BEING UNAFRAID - COURAGE AND LEADERSHIP - PART FOUR

2025 has been relatively good times for the banking industry with only a few minor hiccups. As we know, things can change rapidly, and it's important to have, both individually and within your bank, the courage to deal with the fears that come from an uncertain time. Right now, we wonder whether we are moving into a sea of change which will require courage, leadership and facing one's fears. Courage and facing fears are central to the Findleys' stated core values of loyalty, courage and honor. We have tied the core value of courage to Human Capital Banking and the importance of boards and senior managements having the core value of courage to deal with the human side of the banking franchise. While boards and managements have demonstrated various levels of courage over the last decade, sometimes we need to talk further about this topic, as banks continue to be challenged by the regulators and competitors. We have long stated that courage is not the lack of fear, but it is the ability to face one's fears with an open heart, an open mind and a dedication to the bank.

The last few months we have written about facing fears and having courage. We live in a world of fear. Some of it is real, but much of it is manufactured or unreal. We believe that our government, regulators, media and others have been selling fear during the last few decades as a means of controlling behavior, when there was no real reason to be afraid. Facing both real and unreal fears is critical for the success of your banking institutions in the next decade. There are many bankers we admire who have been able to face the fears and lead their banks effectively. But to face fears - you have to have a plan. I have been referring to two books. The first is a book by Adam Hamilton titled, *Unafraid: Living*

with Courage and Hope in Uncertain Times. I have read several of Adam Hamilton's books over the past several years and find that even though this is spiritual based, he provides good sound rationale that could be of benefit to boards and managements of banks facing uncertain times with the regulatory agencies, the economy and performance expectations. The second book is written by Gus Lee entitled, *Courage - The Backbone of Leadership*. We have referred to this book several times over the past decade, and it is a good read. In these difficult and challenging times, directors and executive officers of banks require courage to face both the real and unreal. We see many banks wanting to exit rather than deal with the challenges and press on. They have not been able to build the Human Capital within their bank to meet the next challenge. We are encouraging boards and managements to continue to build Human Capital within the bank and recommit. Recommit for the benefit of all the partners, whether it's the shareholders, directors, officers, regulators, staff, customers, community or vendors.

Over the past few months, we have explored several questions about fear: Why Is Fear Growing? How Is Fear Working? How Do We Overcome Fear? One thing that we have to realize is that sometimes there is legitimate real fear, and other times there is not. Often, I wonder if regulators create work and job assurance for themselves by creating **FEAR**. In this case, it is the unreal fear, or as Hamilton puts it, **False Events Appearing Real**. Bankers often chase their tail when there is nothing to be concerned about posing a risk to their bank.

We also explored how we can face our fears. Hamilton uses the following approach to deal with

FEAR: Face your fears with faith; Examine your assumptions in light of the facts; Attack your anxieties with action; and Release your cares to God.

What differentiates the good banks from those banks who have issues and challenges is often the leadership of the board and management and the ability to face FEAR with courage and a high level of integrity. We see it over and over, and this fact has been obvious for as long as we have been tracking the performance of community banks.

The Management component of CAMELS is often the driving factor in the overall composite rating, and we believe management continues to be the element of success that differentiates banks. We also believe that courageous leadership is so critical to the success of not only community banks, but also other businesses and our families. As we look closer at the aspects of leadership, we begin to realize that leadership is not management. Leadership is about people and inspiring people. Management is organization and controlling institutional functions. The most effective leader does both by managing courageous and principal relationships. Winston Churchill wrote, "Courage has rightfully seemed the first of human qualities because it is the quality that which guarantees all others." Warren Bennis wrote that leadership is about character. "Managers are people who do things right, and leaders are people who do the right thing." This was also emphasized by Stephen Covey, "Managers do things right ... leaders do the right thing."

Last month we focused on the aspects of courageous communication. Gus Lee emphasizes that courageous communication reflects high core values because it is

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based upon integrity. It creates value-centered results and value centered corporate culture and directly challenges the low value environment. The principles of courageous communication are based upon Gus Lee's principles of CLEAR:

- * Communicate collegially;
- * Listen actively with Empathy;
- * Ask questions on point; and
- * Relate respectfully.

A Quick Refresher

Communicate collegially. Approach others with unconditional and positive respect. Be ethical, supportive and encouraging.

Listen actively with Empathy. Capture what the other person is feeling and that person's context without being detached from it or swamped by it.

Ask questions on point. Asking open-ended questions leads to discussion and better communication. How can one learn without asking questions?

Relate respectfully. Focus on support, encouragement, moving forward, partnering and accountability. These are each a part of building trust with one another - the framework for teamwork.

On courageous communication, we emphasize two things:

"Courage is what it takes to stand up and speak. Courage is also what it takes to sit down and listen," Winston Churchill. Knowing when to listen is often more important than knowing when to talk. How often do we really listen to those around us and hear what they have to say? How often do we respect the opinions of those around us?

Gus Lee also emphasizes "Courage is addressing "wrongs" in the face of fear, regardless of consequences of risk to self or of potential practical gains. That's why everyone practices pragmatism and risk balancing while so few of us cross the river." Gus Lee's book focuses on the River of Fear, noting that the difference between a good person and a courageous person is often the ability to cross over. Being able to move from one side to the other side is based upon high core values. Crossing the River of Fear starts with the small steps of courageous communication and builds from there.

Courageous Leadership

The second basic skill is courageous leadership and is captured by a quote from Mahatma Gandhi, "We must become the change we want to see in the world." How do we show leadership and get others to do what needs to be done? How do we motivate others? Gus Lee focuses on the three types of motivating power: *authority*, *reward* and *courage*.

The first power is *authority* - do this or else.

The second power is *reward* - do this and I will give you that.

The third power is *courage* - ethically modeling and inspiring others to be their best selves and to act courageously for what is right.

Authority as Motivation

How often do boards and managements use the power of *authority* - do this or else - as motivation? This can be viewed as the "big stick" approach. The first power is based on autocracy and domination. The environment for the last few years has been, basically, utilization of the first power. The regulatory agencies, in their own right, utilize this power. Do this or we will put you under an enforce-

ment action. Do this or we will close your banking institution. Unfortunately, too many of us utilize the power of authority as motivation, but often that does not provide the best long-term results or even the desired results.

Concerns about and issues of authority often are magnified in times of stress. Normally in times of stress we rely and operate on our strengths. Often, we think that our strength should be authority. When stressed, we do so with even greater energy. But if these actions don't produce desired results, we feel greater stress. In times of stress, we often show impatience, disrespect, anger and other failures of emotional management, as our worst behaviors surface and we engage in possibly destructive conduct. Under stress, the first power manager defaults to even more dramatic expressions of negative emotions, which further separate the manager from desired results. While authority as a motivational power may be needed to deal with an immediate problem, the long-term damage may be destructive.

We see this over and over again in crisis management for banks when dealing with regulatory enforcement actions, negative regulatory examination results or even operating losses. How boards and managements deal with those identified with their bank in a time of crisis can often make or break the bank. The fear factor that is tied to the first power of authority isn't always healthy. When we are under great stress, anger and dire threats can result. While a short-term result can be achieved, the long-term results may be forfeited. Think about how often your board or management motivates with threats as compared to positive actions.

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Reward as Motivation

In the banking environment, how can you not use the carrot of monetary reward when that is what the system has been based upon for so long? The second power manager uses increasingly higher monetary rewards, bonuses, perks and privileges, encouraging greed, envy and unhealthy competition. A manager who relies on rewards as the primary motivator can expect: (1) to lose people to higher paying firms; (2) to see envy, schisms, and animosities as the staff compete for the highest material rewards; and (3) to suffer a loss of high core values behavior.

While there is always some an appropriate reward or carrot; we have to be careful because money and perks produce dashes of passionate, greed-driven energy and often lead to a willingness to cut corners, sacrifice values and inflate results. This does not provide high core values. But, in the current environment which is entirely monetarily driven, often monetary rewards get results.

In the past few years, we have seen several occasions where rewards have gotten out of balance, and short-term success has been followed by long-term failure. To a certain extent, the regulatory agencies' actions on incentive compensation are tied to reducing the aspects of greed-driven energy and increased risk-taking that hurts long-term value. While there can be an appropriate balancing of the carrot and stick - carrot being the reward power, stick being the authority power - it has to be balanced.

Courage as Motivation

We often find that the best motivation is actions, not words or

money: walking the talk and living it every day. The third power leader ethically inspires others to be their best selves so they that they can act courageously for what is right. Courage and integrity result in teamwork, excellence, sustained profitability, a passion to fulfill core values and principled team needs and doing what is right. The third power leader motivates by courageously acting for what is right. This produces enduring success and long-term value.

What we see in courageous leadership is that while instant self preservation of authority is normally our first response, courageous action is what takes over. Third power leaders intentionally move to be courageous with little concern for self preservation or reward. They cross the river of their own fears while most of us stand idly at the water's edge. They use all three motivational powers! Courageous third-power leaders use the first power (*authority*) to enforce high core values and operating principles. They use the second power (*reward*) to provide paychecks, benefits, promotions and bonuses to those who perform within high core values. The use the third power (*courage*) as the means to really make a difference!

Gus Lee has an excellent definition of courageous leadership:

"Leadership: ethically inspiring others to be their best selves to courageously act for what is right."

This definition embodies the quotation from Norman Schwarzkopf, "Leadership includes two components: competence and character. Ninety-nine percent of the failure in leadership is because of a failure in character rather than competence." These themes are also

consistent with several articles written by Cary Bailey-Findley in the Human Capital Banking series of the *Newsletter*.

When we understand the utilization of motivating power, then we can get into the aspects of leadership acts. To further drive home this point, Gus Lee emphasizes three leadership acts: honoring and respecting all persons; encouraging and supporting others; and challenging wrongs.

Honoring and Respecting All Persons

Respect is the first behavior of leadership. Respect is the foundation for principled relationships, and it is usually tied to careful, respectful and thoughtful listening. It is so important in this environment to understand what is being said by others and let that shape what and how you speak and react. Respect is also the leadership discipline that invites teamwork and the growth of a leadership bench. Respect is a learned skill that must be practiced over and over because giving respect, particularly when we don't feel like it, is difficult. As Gus Lee emphasizes, "Leaders respect and appreciate all, reward many and fire a few." Gus Lee emphasizes some critical elements with regard to respect. "Respect is not trust. Trust has to be earned through courageous conduct and demonstrated character. Character is sustained courage. We can respect everyone, but we can't trust everyone." Respect is not promotions and bonuses. Those are earned through competence, effort, merit and demonstrated character.

Encouraging and Supporting Others

Courageous leading begins with honoring all persons and ends with

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correcting wrongs. In the middle are the behaviors of encouraging and supporting. Encouragement is the giving of courage. It is supporting, reinforcing and rallying people to right behaviors, and to living with high core values and excellent standards. We do this first by demonstrating courage. We do it also by knowing our people - watching, coaching and developing them so that we can constantly affirm the rightful behaviors and their demonstrated competences. The power of encouragement is great and immediately available to all. Often, we choose not to encourage due to a perceived risk to ourselves. The courageous leader is willing to accept that risk.

Challenging Wrongs

Courageous leading is based upon honoring all persons regardless of rank, status, education or power. The least-experienced person instinctively respects people with rank. It takes courage to equally honor all persons, favorites or not. By treating all with honor often requires challenging wrongs. Challenging wrongs, the last element of courageous leadership, comes last because it's often the most demanding behavior. Gus Lee focuses on four parts: (1) discern right from wrong; (2) act for what is right regardless of risk; (3) stop wrongs in oneself and challenge wrongs in others; and (4) follow through so that the wrongs are not repeated.

Succeeding in the third act of leadership, having the courage to challenge wrongs, requires the presence of the first two acts - honoring and respecting others, and supporting and encouraging them. Courage without respect of all others becomes unthinkable brash-

ness. Courage without support of others becomes grandstanding egotism. Courage without challenging wrongs becomes short-term, since this act is based upon character. Challenging wrongs, the last element of courageous leaders, requires us to walk the talk every day and in everything that we do.

Courageous Problem Solving

The last basic skill for courageous leadership is courageous problem solving. Martin Luther King, Jr. wrote, "Courage faces fear and thereby masters it. Cowardice represses fear and is thereby mastered by it."

The focus of courageous problem solving requires one to align behaviors with core values, name the issues and stay true to the three acts of courageous leadership: *honor and respect all, encourage and support others and challenge wrongs*. Gus Lee emphasizes that courageous problem solving can be based upon a "black box" solution model: (1) assess what's broken; (2) accept the failure; (3) repair the failure; and (4) team up and work together.

Too often, in problem solving, we don't have a plan of action. For courageous leaders, Gus Lee provides a plan of action on how to get back to what is important. The black box model requires honesty and true courage. While it may be easy to assess what is broken, often what is broken is within oneself. It may not always be an interesting exercise. At the same time, it may require accepting blame or fault, which is not the easiest exercise for most managers. Only when there is the courage to dive deep into the issue and accept blame can there be steps taken to repair the failure and build the teamwork needed for long-term benefit.

Gus Lee provides a road map to cross the River of Fear and to become courageous leaders. The concept is a very simple: *learn, do and be*. First we *learn*, then we *practice*. Only then do we *become*. When we practice the behaviors of listening, we hear clearly. When we practice the behaviors of respect, we care truly. When we practice the behaviors of courage, we become courageous. When we practice the behaviors of courageous leadership, we lead powerfully. Then, when others learn and practice, we collectively become an admirable community. This is the irresistible power of the courageous and principled relationship.

The ever-changing banking environment requires facing our fears and courage from all. We have to *learn, do and be*. We have to get back to the basics. We have to understand ourselves. We have to determine what is right and what is important, and we have to stay true to our high core values. Gus Lee emphasizes the high core values of *integrity, courage and character*. Boards and managements need to sit down and reflect on what their high core values are. How do they implement these high core values within their banking enterprise? How do they make a difference? Those who can *learn, do and become* will become successful in the future. It all starts with small steps, but ends with courageous leadership. **As you start 2026 - we encourage you to be courageous leaders!**

Gary Steven Findley, Editor

WISDOM MATTERS

For years I've read the *Daily Stoic*, a daily email from Ryan Holiday, an author of various books, including the *Stoic Virtue* series. Most community financial institutions ("CFIs"), as part of their strategic planning, focus on their virtues, values, and mission. The four virtues that Ryan Holiday focuses on are: courage, temperance, justice, and wisdom -- pretty solid virtues.

Recently, Ryan Holiday published the fourth book in the *Stoic Virtue* series, *Wisdom Takes Work - Learn, Apply, Repeat*, copyright 2025 by Ryan Holiday, printed by Penguin Random House, LLC.

The first book was *Courage is Calling - Fortune, Favors the Brave*, published in 2021; followed by *Discipline is the Destiny - The Power of Self-Control*, published in 2022; followed by *Right Thing, Right Now - Good Values, Good Character, Good Deeds*, published in 2024. And now we have the final book in the series on wisdom.

A quick review of the four virtues is as follows:

Courage: bravery, endurance, fortitude, honor, sacrifice

Temperance: self-control, moderation, composure, balance

Justice: fairness, service, fellowship, goodness, kindness

Wisdom: knowledge, education, truth, self-reflection, peace

You can add more definitional words, but you get the general idea.

These are what we refer to as the "cardinal" virtues. C.S. Lewis pointed out in his writings that these four virtues originate from the Latin *cardo*, or hinge. It's piv-

otal stuff. It's the stuff that the door to the good life hangs on.

Over the last four years, we've written on each of the first three books, and we encourage you to pull our past *Directors' Compasses* up as a refresher or pick up a copy of these books.

I've been waiting for this final book, primarily due to these concepts of wisdom. There is a quote from Epicurus, which we believe is important as we continue to seek wisdom.

"Let no one be slow to seek wisdom when they are young, nor weary in the search when they have grown old. For no age is too early or too late for the health of the soul. And to say that the season for studying philosophy has not yet come, or that it is past and gone, is like saying that the season for happiness is not yet, or that it is now no more."

As I look back on 46 years of legal practice and over 50 years of working with the Findley Companies, it is the search for wisdom and delivering that wisdom to the industry, which is an important core focus of the Findleys.

I have to remind myself that what I took as wisdom in my 20s and 30s was purely hubris, and that, over the past 50 years, it has taken quite a bit of time to recognize the importance that the search for wisdom never ends. It is something that continues always, and just when we think we've learned something, we recognize that we've learned nothing. We need to continue to seek to become masters and to effectively set our own direction.

Of all the virtues, wisdom is the most elusive. It is something to which you aspire, something that

we are always trying to acquire. Wisdom is more than being smart, more than the possession of knowledge and facts, more even than insight. Holiday writes, "It's intelligence, intuition, experience, and education. philosophy and practical understanding, awareness and wit, perspective, perspicacity, and, yes, the 'prudence.'"

Wisdom takes work. Like love and happiness and everything worthwhile, wisdom can't be accessed through hacks or shortcuts. Anyone who claims to have an easy way to get it is not being truthful, and anyone who claims to have it probably doesn't. Very simply, wisdom is knowing what to do, when to do it, how to do it, and knowing what's what.

Holiday emphasizes the lifetime pursuit:

"We can get wiser, but never wise. Smarter but never smart. Closer but never there. Wisdom is available to anyone willing to earn it. Wisdom is not comfortable. Wisdom is a battle to be won. Wisdom takes work. Wisdom is worth it."

We definitely agree, wisdom is worth it and the search is part of the process.

Holiday emphasizes the importance of talking to the dead and being curious. That means reading from those who've come before us.

"You must read. Read something new. Read something old. Reread something you've already read. Read a few pages of this one or that one. Linger when a passage

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strikes you.

Read something critical.

Read something beautiful.

Read something dark.

Read something you disagree with.

Reflect.

Read more.

Repeat.

Talk to the dead until you die."

All of this is tied to being curious. We are a big fan of Ted Lasso and love his lesson during a dart game of "Be Curious - Not Judgmental" - a quote from Walt Whitman. We must be curious about what is happening in the industry. We must be curious about what is affecting our lives. We need to continue to look. Look again. Repeat. Look. Look again. And stay focused.

The success of many exceptional banks is their ability to be focused and to learn, re-learn, and adapt.

This means the importance of listening. One of our favorite scriptures from James 1:19 is, "be quick to listen, slow to anger, and slow to speak."

That is something I must work on all of the time. We all know that we're given two ears and one mouth. Our roles should be listening and understanding before we speak.

All around us are people who know better, who know more. All around us are experience and hard-earned lessons. Feedback permeates everything. To every action we take, there is a reaction.

But most of this is subtle. The world speaks to us always, but often in no more than a whisper. Most teachers do not repeat themselves, do not beg for us to sit and be quiet and listen.

We have to take that upon ourselves. We have to open ourselves up to it Don't be a big mouth. Be a giant ear. Talk less. Listen!

Coupled with listening is being patient. You need to be patient and skeptical instead of rash and credulous.

Listening and being patient is wisdom. Don't fall for the smooth talkers and slick salesmen. Ignore the sirens and the tempting fictions. Don't fool yourself.

We are always emphasizing to clients to not getting caught up in the whack-a-mole approach. Focus, focus, focus ... step back and focus again.

Whether it's the writings of Abraham Lincoln, the *Art of War* by Sun Tzu, Confucius, or the stoic philosophers, it is important that we know ourselves and we have humility. A quote by Daodejing, is as follows:

"To know that one does know is best;

Not to know but to believe that one knows is a disease.

Only by seeing this disease as a disease can only be free of it.

Sages are free of this disease.

Because they see this disease as a disease, they are free of it."

Holiday emphasizes the importance of continued learning:

"You can't learn what you think you know.

You can't learn if you think you know everything.

You can't get better if you think you're perfect.

We must be humble. We must be open.

We must want to grow, to be challenged, to be questioned.

That is the key to wisdom."

In Patrick Lencioni's book, *The Five Dysfunctions of the Team*, he focuses on five behaviors that lead to dysfunction. To be an effective part of a team, Patrick Lencioni uses the concepts of humble, hungry, and smart.

Humble

Humility is the single greatest and most indispensable attribute of being a team player. Great team players lack excessive egos or concerns about status. They are quick to point out the contributions of others and slow to seek the attention of their own. They share their credit, emphasize team over self, and define success collectively rather than individually.

Hungry

A simple concept of self-drive. Hungry people almost never have to be pushed by a manager to work harder because they are self-motivated and diligent. These individuals take on more responsibility and accept accountability. They often think of the challenge and become stronger by taking on the challenge. They're constantly thinking about the next steps and the opportunities and focus on a manageable and sustainable commitment to do a job well and going above and beyond what is truly required.

Smart

Smart simply refers to a person's common sense about people. We all know intelligent people, but smart is the ideal team player. It's not about intellectual capacity. It has everything to do with the ability to be interpersonally appropri-

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ate and aware. Smart people tend to know what is happening in a group situation and how to deal with others in the most effective way. These are all aspects of wisdom.

To go with humble, hungry, and smart we do need empathy. Holiday writes:

“So much wisdom is lost to us because we are ourselves lost and lost to ourselves.

We need empathy for others ... and empathy for ourselves.

Who we are.

Why we are who we are.

Who we are trying to be.

And knowing ourselves.”

Holiday has a chapter in his book called “Wisdom is Virtue. Virtue is

Wisdom.” He notes, “Wisdom is the work that precedes the other virtues. Without contemplation first, courage, self-discipline, or justice are impossible and properly worthless.” “This is why we say that wisdom is the mother of virtue. It tells us the what, the when, the where, the who.”

The four virtues are about instilling character -- good character -- so that, at the critical point, a person's true nature kicks in. Wisdom is not something that just happens to you, and no one is born with it. But the good news is that once you learn something -- no one can take it away from you. It's ours forever if we choose to use it. Wisdom takes work. The important question is, are you prepared to do the work?

As we start 2026, this will be our last *Newsletter*, but we will be writing on occasion on what we

believe is important. We must remember to stay vigilant and to continue to stay curious, stay hungry, keep learning, and keep growing. We encourage you to read *Wisdom Takes Work - Learn, Apply, Repeat* by Ryan Holiday, as well as the other books in his series. These are great lessons for boards and managements as you set the strategic direction of your bank. We believe that there is a future for community banking; however, it will be challenging, and it will take dedication to the four virtues of: **courage, temperance, justice, and wisdom.**

Gary Steven Findley, Editor

