

BEING UNAFRAID

Over the last several years, we've written about facing fears and having courage to lead your banking institutions through some very difficult and challenging times. Courage and facing fear are central to our core values of loyalty, courage, and honor. We have tied in the concept of courage and the importance of boards and senior management having the right level 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 ongoing change and an uncertain horizon. 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.

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 the last few decades as a means of controlling behavior, when there was no real reason to feel fear. We have to have the courage to face both real and unreal fears, and facing these 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 fears and lead their banks effectively.

Recently, I reread 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 decade 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 un-

certain times with the regulatory agencies, the economy, and performance expectations. Although banks have had a good couple of years, there are some uncertain times ahead from the standpoint of financial performance, regulatory expectations, and, also, the expectations of those who are the various partners with your institution, whether it's the shareholders, directors, officers, regulators, staff, customers, community, or vendors.

Over the next few months, we will be exploring how we can face our fears (both real and unreal) and find the courage to continue to effectively lead the bank in the future. In addition to referring to Hamilton's book, we will also refer to the book, *Courage - The Backbone of Leadership*, by Gus Lee. 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. We see many banks wanting to exit rather than deal with the challenges and press on or not being able to build the Human Capital within their bank to meet the next challenge. Maybe it is time to recommit.

Why Is Fear Growing?

Hamilton writes, "Americans are more afraid today than they have been in a long time. Eighty percent live with moderate or significant levels of fear. Those under age 50 experience more fear than those over 50. The greatest fears of those over 50 are the direction of our country. Fears of failure and of disappointing others topped the list for those younger than 50."

There are many healthy fears, such as fear of falling or poverty or health, to name just a few. For a bank, that could be fear of bad

loans or fraud. Each of these healthy fears provides a power to motivate us to act and gives us the ability to quickly react. They are the reasons we have controls and procedures in place. However, unfortunately, much of our fear is manufactured. Our worries are about things that are likely never going to happen or things completely outside of our control. This is a typical government and media pattern. We see this with the regulators all the time, wanting controls and procedures and creating fear in boards and managements that is so unnecessary. We can remember Y2K, certain BSA/AML requirements, CRA, interest rate caps, CRE concentration risks -- all perceived boogeymen created by the regulators that may have applied to a few isolated banks but were really being pushed on all banks with the notion that the sky was falling. It is this fear, anxiety, or worry created by the regulators as well as others that is not a benefit to the bank, but, rather, a detriment. Often, I wonder if the regulators create work and job assurance for themselves by creating FEAR. In this case it is unreal FEAR, or as Hamilton puts it, False Events Appearing Real.

How Is Fear Working?

Hamilton discusses how a traumatic experience in the past, often an experience associated with a smell, a sight, a sound, a taste, a feeling, a person, or a place, can cause your brain to associate that stimulus with the unpleasant, frightening, or painful situation. You respond to the same stimulus later with fear, but for reasons you may not be able to explain or even understand, regardless of whether there is any real danger. Why? Because this particular stimulus is still associated in your subconscious memory with a past threat.

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Though there is no real danger, the threat switchboard in your brain perceives danger. I have been wondering whether the Great Recession and the significant issues in the economy and banking sector 10 years ago, that lasted for four to five years, has created such a memory within the regulatory brain that it has created a level of fear which became an impediment to sound business decisions. We have seen it with the de novo bank process and business plan expectations of regulators, which, for most, are insurmountable, new warnings about CRE concentrations and economic downturn, and the list of boogymen can grow from there. But like most boogymen, the fear is unreal. But banks are expected to change behavior due to the perceived threat.

While real fear is intended to help us sense and avoid danger, it is also true that we often misread signals, worry about threats that are not real and find ourselves overwhelmed by false fears, paralyzing anxiety, or unhealthy fretting concerning things that: a) we don't need to be afraid of; b) will never happen; or c) worry and fear can do nothing to save us from. What we have to do is unlearn fear. Much like Pavlov's dogs have shown, it is possible to relearn and change behavior. When applied to eliminating worry, fear or anxiety based on old or inaccurate data, we can unlearn fear, and in unlearning fear, we can find freedom.

We must recognize that we can never fully eliminate fear, and that's actually a good thing. The battle with fear is not a one and done kind of battle. Rather, it's a regular part of our lives. But while fear is a persistent companion, we don't have to be controlled by it.

We can learn to address our fears, control them, learn from them, even use them as well as press through them. This is where courage and a plan of action to deal with fear are important. Courage is not the absence of fear, instead it is doing what you feel you should do or what you long to do, despite the fear. As you press through your fear, you live a life of courage and hope.

How Do We Overcome Fear?

We have written in the past about the importance of knowledge, understanding our limitations, and also not living in the past but visualizing the future and what kind of bank you want to be, then living it now. The best course is to start out with a vision of the preferred picture of the future, something we long to do, a dream or a calling to pursue. However, for many (including the regulators), when we begin thinking of the future we begin thinking about the risk and dangers involved. Soon, all we can see are the obstacles, risks, and dangers. We freeze in our tracks. Fear and despair take over. We wish we could turn back. We tell ourselves, "I could never do that. I don't have what it takes. What if I fail? Others are far more gifted than I. It's just too hard."

However, when it comes to assessment of risk, dangers, and obstacles, often the opposite is true. Obstacles, dangers, and threats appear larger and closer than they really are. We are manufacturing a bigger problem or obstacle than really exists. Giants often don't exist.

Hamilton states, "Look at any successful person, however you define success, and you will find someone who knew fear. They have faced their share of giants. They felt like turning back and have been

paralyzed by fear. What differentiated them from others is that they realized, or at least hoped, that giants were not real giants. They took a realistic view of the risk, dangers and obstacles and believed there was, at least, a reasonable chance they could overcome them. But to face your fears you also have to have faith. We have to have faith in ourselves and in others that we can overcome these fears. But you also, in addition to faith, have to have action. Our deliverance from fear comes by having faith and by acting on it. As long as people are paralyzed and have no plan, the problems seem bigger, and the anxiety only grows."

Next month, we will go further into to how to face your fears. Hamilton uses the following approach: Face your fears with faith. Examine your assumptions in light of the facts. Attack your anxieties with action. Release your cares to God.

A few meaningful quotes: Ralph Waldo Emerson, "Do the thing we fear and the death of fear is certain." Eleanor Roosevelt, "You gain strength, courage and confidence by every experience in which you really stop to look fear in the face. You are able to say to yourself, 'I lived through this horror.' 'I can take the next thing that comes along.'" Oprah Winfrey, "Time isn't the enemy, fear of change is."

To add some additional thoughts related to courage, we share the following from a past *Directors Compass*.

We have long believed that we provided rented courage for boards and executive managements to deal with difficult and troubling issues, inclusive of the regulatory agencies, and this has not

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changed. However, these past few years we have seen several instances where directors and executive officers of banks have failed to display courage and leadership in a time of challenge.

We continue to believe that courage and facing our fears in a time of challenge can be best described by Alfred, Lord Tennyson's "The Charge of the Light Brigade."

*Half a league, half a league,
Half a league onward,
All in the valley of Death
Rode the six hundred.
"Forward, the Light Brigade!
Charge for the guns!" he said:
Into the valley of Death
Rode the six hundred.*

*"Forward, the Light Brigade!"
Was there a man dismay'd?
Not tho' the soldier knew
Someone had blunder'd:
Theirs not to make reply,
Theirs not to reason why,
Theirs but to do and die:
Into the valley of Death
Rode the six hundred.*

*Cannon to right of them,
Cannon to left of them,
Cannon in front of them
Volley'd and thunder'd;
Storm'd at with shot and shell,
Boldly they rode and well,
Into the jaws of Death,
Into the mouth of Hell
Rode the six hundred.*

*Flash'd all their sabres bare,
Flash'd as they turn'd in air,
Sabring the gunners there,
Charging an army, while
All the world wonder'd:
Plunged in the battery-smoke
Right thro' the line they broke;
Cossack and Russian
Reel'd from the sabre stroke
Shatter'd and sunder'd.
Then they rode back, but not
Not the six hundred.*

*Cannon to right of them,
Cannon to left of them,
Cannon behind them
Volley'd and thunder'd;
Storm'd at with shot and shell,
While horse and hero fell,
They that had fought so well
Came thro' the jaws of Death
Back from the mouth of Hell,
All that was left of them,
Left of six hundred.*

*When can their glory fade?
O the wild charge they made!
All the world wondered.
Honor the charge they made,
Honor the Light Brigade,
Noble six hundred.*

Courage and facing our fears in a time of challenge has to be based upon the concept of hope, whether the risk is to oneself or to the bank. There must be hope that at some time a difference was made, a life was changed, a value was delivered, and honor was demonstrated. This is important as we

build the Human Capital within the bank and truly make a difference.

To drive this point home is a further quote from Teddy Roosevelt that we have used many times:

"The credit belongs to the man who is actually in the arena; whose face is marred by dust and sweat and blood; who strives valiantly; who errs and comes short again and again; who knows the great enthusiasms, the great devotions, and spends himself in a worthy cause; who, at the best, knows in the end the triumph of high achievement; and who, at the worst, if he fails, at least fails while daring greatly, so that his place shall never be with those cold and timid souls who know neither victory nor defeat."

We emphasize the importance of continuing to fight hard right through the challenges that remain with banks, recognizing that the right directors and executive officers really make a difference to customers, employees, and communities. While riding into the valley of Death (and becoming UN-AFRAID), you can do it with courage and honor. We see great examples of how to run the bank with dignity and without a timid soul right through the challenges that exist today. On the other hand, we also see cold and timid souls that will continue to exist but will never display courage and dignity. Where do you want to be and what difference do you and your bank want to make in your community and with your customers, shareholders, and staff?

Next month we will focus more on Courage and Being Unafraid.

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