

KEEP ROWING THE BOAT

Over the last several months, I made presentations to a number of boards, as well as presented at the CCBN Top Banker Panel, focusing on 2021 performance and what to expect for 2022. The last two years have been a drain on the community banking industry due to the pandemic, a low net interest margin (“NIM”), regulatory challenges, uncertain economy, and a relentless amount of negative news coming out of Washington, D.C. or through the media. Despite some significant challenges for the last two years, many community banks performed very well. Due to some nonrecurring items such as the PPP loan forgiveness program and the CARES Act, financial performance has been quite good. However, we suspect that in 2022, due to the elimination of the nonrecurring items, the financial performance for a number of our community banks will decline.

In this month's *Newsletter* we have included the 2022 criteria for *Super Premier Performing*, *Premier Performing* and *Commendable Performing* banks for 2022 performance. You will note that we have lowered the bar. However, we do believe that there will be many banks who will significantly exceed these levels of performance in 2022 since they have created a fortress-type balance sheet, stable income statement, and their management and board really know where they are taking their bank. They have a solid course. Leadership does matter, and over the last three years, we profiled 12 banks who have demonstrated exceptional banking performance.

Last month we had the privilege of looking at the performance of Farmers & Merchants Bank of Central California, Lodi, California who has been a consistent top performer for a number of years and is truly a legacy-type bank.

The message that I give the boards and managements is -- KEEP ROWING THE BOAT! I focus on a book by Jon Gordon and P.J. Fleck entitled, *Row the Boat: A Never-Give-Up Approach to Lead with Enthusiasm and Optimism and Improve Your Team and Culture*, published by Wiley and Sons, Inc., 2021. Over the last 10 years, we have written on several of Jon Gordon's books, and we like his approach to leadership, primarily servant leadership. We encourage boards and managements to read this short book which explores a system that has been put in place by P.J. Fleck, the head football coach originally at Western Michigan University and now at University of Minnesota.

The focus is on teamwork, and we all know that a football team will not excel unless the team works together. The same thing applies to banking. Unless all who are connected to the bank, whether it is the directors, the management, the employees, the shareholders, or others (what we refer to as the partners), work as a team, the bank's performance will suffer. We believe that 2022 and 2023 will be challenging for a number of our financial institutions, and we encourage, in planning the strategic direction, that you continue to stay focused and keep rowing the boat. We all know that if a boat is in motion, it is easy to navigate. However, when a boat has lost momentum and drifts, it becomes subject to the elements of choppy seas and could capsize.

The three components of *Row the Boat* are quite simple: the oar, the boat, and the compass. Each are important to achieving success.

The Oar

The oar is the energy. Only you can decide how to use your oar and

when it is in the water. “The oar is the energy of your life, your mission and your purpose. It is the simple strength in the RTB culture. You chose whether your oar is in the water or whether you take it out and decide not to use it.” P.J. Fleck emphasizes that the RTB lifestyle is about two things, serving and giving. “The oar allows us to share our program with our community, university, state, and country and to let others know that we are rowing with them. While each individual has an oar, they must decide when to use it.” The top banks and their leaders connect all of those individuals to their bank using the oar at the right time and the right place and are committed to basically moving the boat forward.

The Boat

The boat is the sacrifice. “The more you give and serve and help others the bigger your boat gets. This is analogy is as simple as it gets. The more you serve, give and make your life about helping others the better and more fulfilled your life will be. The more you do this the bigger your boat gets. Little boats don't go very far or carry many people. They sink in big storms -- but big boats go a long way carrying more people and can handle the biggest storms.”

The importance here is that *Row the Boat* is not about focusing on yourself but rather about rowing through life to be great for others and to help others to be the best. This is a true focus of servant leadership, and those exceptional banks that have demonstrated the performance year end and year out have shown that no one achieves success by themselves, and true success is achieved by a group of people working together, all rowing together. When the group is rowing with a common focus,

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intention, mission, and purpose -- the group becomes a team, and the team becomes unstoppable. That is truly the definition of an exceptional bank.

The Compass

The compass is the direction. The vision you have and the people who surround you will create the dream of where you want to go. This is the vision we have for our lives. It is how we speak to ourselves and the people we surround ourselves with who help recreate this dream. If you want to be a successful bank, tell yourself you will be a successful bank and find a way to do that.

Too many of our banks have lost their way, their vision, or their compass. You can see in some of the recently announced transactions that some of the banks that exited had lost their compass.

P.J. Fleck emphasizes the concept that the dream is the journey and the journey is the dream. "You don't get a perfect set of plans, rather life gives you a north star and other people to join you on your journey. From mentors you learn how to become who you want to be. From friends you learn how to give and receive. From a relationship that is struggling you learn how to practice empathy. From those who are enjoying success you learn how to celebrate others. From those who want to give up you learn how to give encouragement. From other's mistakes you learn what you don't want. And from your heroes you learn from what you want." The compass within your bank is your vision and mission. How often do you look at it? How often do you set your goals and directions to achieve this vision?

What we really like out of *Row the Boat* are the 10 lessons that can guide us forward, especially as we set the direction of our community banks and our own personal lives. These 10 lessons on rowing the boat are as follows:

- Never sacrifice what you want down the road for what you want right now.
- Trained behavior creates boring habits, boring habits create elite instincts.
- You win with people -- people who make their lives about others.
- Give more than you take - serving and giving is the key to life.
- Be the standard all of the time.
- Culture trumps skill.
- A person distracted is a person defeated.
- Embrace the past to create the future.
- Hard work and competitive spirit are not the same. Always compete.
- There is a difference between success and significance. The goal is significance.

While all of these are great lessons, I want to emphasize four in particular that mean something to me and also should help in setting the direction of your bank going forward.

- **Never sacrifice what you want down the road for what you want right now.** Often, we lose sight of what we want down the road and focus in on the immediate gratitude or the immediate satisfaction of something that could later have negative consequences. In merger and acquisitions transactions, as well as strategic planning, we are always asking, what is success down the road? What does this trans-

action look like or what does this product or service look like in 3 or 4 years? Does this decision continue to advance what we want with regard to the banking institution? Immediate gratitude or immediate satisfaction don't last. What we are looking for are long term results, especially for a bank that wants to be legacy-type franchise. Don't take your eye off the long-term goal.

- **Be the standard all of the time.** We often forget that little things matter, and people are watching all of the time. In our individual lives or the life of our banking franchise, we need to have a high standard for how we operate or live our lives. If we live to the standard of the vision, mission, and beliefs of the bank, partners notice, and banking performance will continue to be strong.
- **Culture trumps skills.** We all know that adage, one rotten apple can spoil the barrel, and we have to be certain about who we let onto the bus with regard to our banks. We live in a world where skills often overshadow the quality of the individual. You see so many examples where entities hire an individual who possesses a great skill, however, the culture within the entity suffers. We emphasize in merger and acquisition transactions to be careful with regard to bringing in another banking institution because often it will change the culture in your bank negatively and not positively. Culture trumps skill. While we continue to push having skill sets within your banking franchise, we want to be certain that those individuals possess

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the right culture and understand what you are trying to accomplish, otherwise performance will suffer.

- ***There is a difference between success and significance. The goal is significance.*** This is an interesting concept in the sense that most of us define success in some kind of financial term with regard to our banks; however, what we have learned with the exceptional bank profiles is that, while financial performance is important, what is truly important to the exceptional bank leaders is that the

bank is significant in the lives of all who touch it -- whether it is the shareholders, the employees, the customers, the community, etc. Those exceptional banks that have focused in on significance from the standpoint of their connection to people that really matter are those that have consistent success. We have stated on a number of occasions that becoming a *Super Premier Performing* bank for one or two years is what not matters, it is the consistency and how you really make a difference within your market.

As we start 2022, we think it is important that boards and manage-

ments continue to focus on "Rowing the Boat." We have a number of great franchises out there that have created magnificent vessels. They are sailing toward brighter horizons, even in choppy seas, and they will continue to be significant in the years ahead. We encourage you to read this book by Jon Gordon and P.J. Fleck. It is an interesting read, and also something that is a quick reminder of what really matters.

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