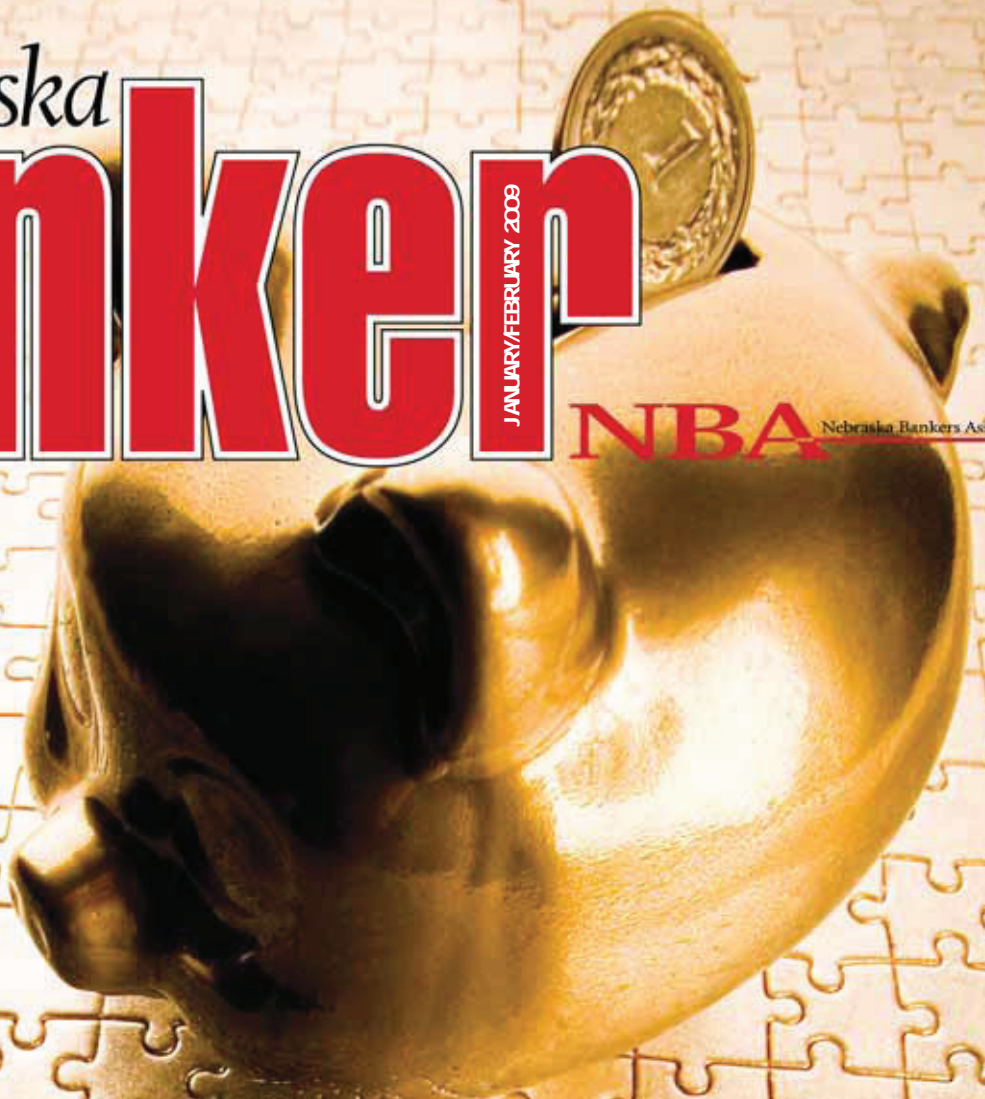


Nebraska Banker

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NBA Nebraska Bankers Association



The Top 10 Regulatory Issues of 2009

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How Family-Owned Banks Prepare for the Ultimate Harvest

Dave Specht, CFP®, Executive Wealth Management



the bank. A bank that refuses to invest time and energy in long-term organizational planning is shortsighted and could be headed for a weedy harvest or potentially low yields.

Planting the Seeds: Management/Ownership Succession Planning

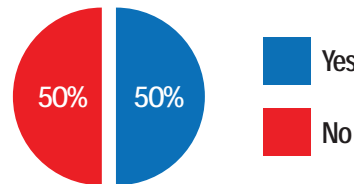
The bank survey data revealed that more than 35 percent of the banks that responded expected a transition of the president of the bank in the next five years. More than 55 percent said they would have a new president in the next 10 years. Despite the knowledge that change is coming, only 22 percent indicated they have a documented management succession plan.

IN EARLY 2008, I WAS INVOLVED IN A bank ownership and management study conducted by Lincoln, Neb.-based, Cross Financial Group. The study brought to light three major hurdles that families face in perpetuating a healthy, profitable bank for future generations. Like the farmer who prepares his ground, plants the seeds, and waters and cultivates in anticipation of the harvest, bank owners also must lay a solid foundation, properly manage their institutions, and develop their employees to ensure the continued success of their bank within the financial services industry. The ability to identify and manage these issues will prepare family-owned banks for “the ultimate harvest.”

Preparing the Ground: Strategic Planning

The results of the “Closely Held and Family-Owned Financial Institution Survey” found that only half of the banks that responded had a three- to five-year strategic plan. Forty percent lacked a mission statement for the organization and even fewer had developed vision statements or had documented core values.

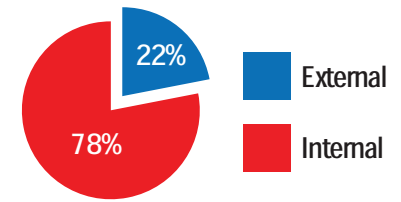
Banks With a 3- 5 Year Strategic Plan



The importance of the strategic plan can be likened to the preparation of farm ground for planting. The farmer plows and discs in an effort to ready the field for a productive season. At times fertilizers or herbicides are needed. It is a time-consuming process that shows limited results while you are doing it, but in the end is worth every ounce of effort a farmer puts into it. The bank’s strategic plan is just as important as how well the farmer prepares the soil.

In the strategic-planning process the bank will make plans, set expectations, and position people for the highest likelihood of organizational success. The vetting of ideas and the eradication of distractions and conflicting agendas will allow people in the organization to work in a collaborative effort for the ultimate success of

Expected Source of Next Bank President



An alarming 63 percent of these banks do not have a plan in place that defines the anticipated ownership structure for the next 10 years.

As seasons change and managers and ownership ages, the need to build and communicate management and ownership plans becomes vital. The bank’s ability to survive and thrive into the future is dependent on a competent and prepared management group and an ownership structure that allows for business agility and growth. One of the most overlooked areas of family-bank succession is the training of next-generation owners—the planting of the seeds.

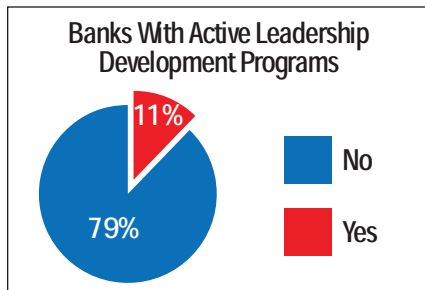
As a farmer makes plans to plant his seeds, the straighter the rows and the more even the seeding of those rows, the better chance he has to maximize

the harvest. Planting straight rows is closely related to training next-generation owners regarding their responsibilities and the expectations of the current owner. Too many generational bank owners come into ownership with little training and awareness of what it takes to add value to the organization. An open dialogue and a formal entrance strategy for the next-generation bankers are essential to their development and long-term success.

The even seeding of a field can be compared to the communication and training patterns of next-generation managers and owners. It is not wise to assume that they can take on major responsibilities in a short time if they haven't been prepared consistently over time. Values, cultures, and business philosophies must be learned, practiced, and applied over an extended period. Preparing a person for a management or ownership role takes thoughtful planning to position them for success. The greatest likelihood for a successful management or ownership transition is to start early, talk frequently, and train continually.

Watering & Cultivating Leadership Development

Seventy-eight percent of respondents to the survey reported that they expected their next president to come from an internal source; however, only 11 percent indicated that the bank has an active leadership development program in place to enhance the skills of existing managers.

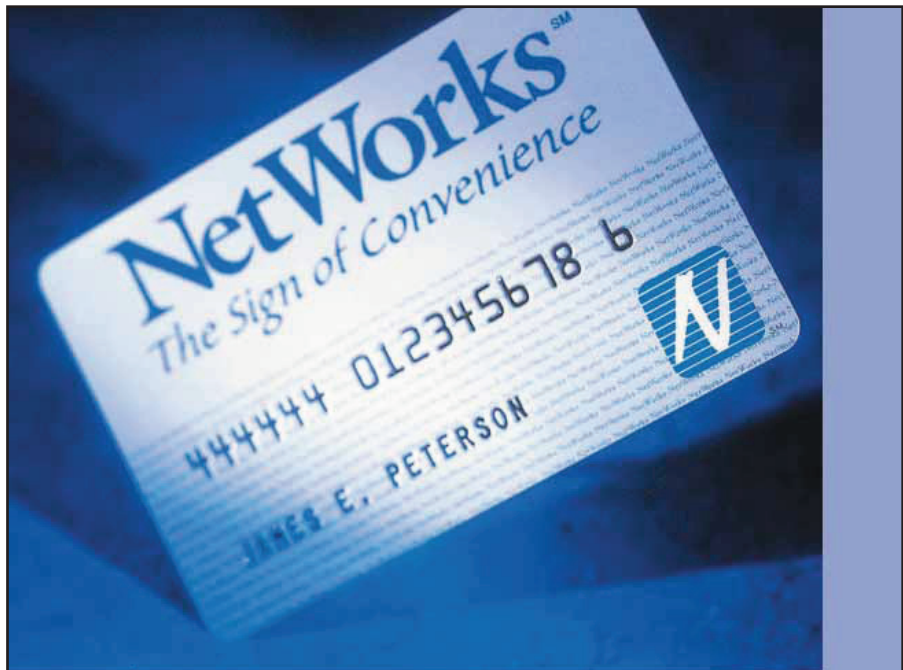


■ **Ultimate Harvest**
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■ **Ultimate Harvest** – continued

The obvious disconnect in these two statements confirms the need for banks to take a careful look at the unique leadership development plans that may be appropriate for the organization.

As we learn from the farmer who has prepared the ground and planted the seeds, the work is not yet done. A thoughtful irrigation plan and the ability to cultivate are essential to the eventual crop. At certain times during the growing season proper cultivation and more frequent watering may be required due to weather conditions, etc. The same can be true of developing leaders. It is important to have a regular watering schedule and then adjust accordingly. A leadership development plan should be in place, and deviations to speed up the process or to alter it in some way may be necessary.

The cultivation process is one that should not be overlooked or taken lightly. As any experienced farmer can tell you, if you aren't careful when you are cultivating, you can pull up crops and wreak havoc on an otherwise productive field. It is the same with leadership development. If you are

thoughtful, your program will encourage growth for natural leaders and will weed out those who are not cut out for management or ownership.

Careful cultivation over time will allow for the natural elimination processes to take place and will free up valuable "nutrients" or resources for those who are developing future leaders.

Reaping the Harvest: A Successful Transition

Just as a farmer doesn't walk out one day and hope that he has a crop to harvest, so must a family-owned bank go through the process of planning for that ultimate harvest. There are no shortcuts around strategic planning, management/ownership succession planning, or leadership development. Take a lesson from your farmer friends and clients, and help prepare your bank for "the ultimate harvest." ▸

Dave Specht, CFP® is an author, speaker, and consultant to business owners on succession-related topics. A native of San Diego, Specht joined Lincoln, Neb.-based, Executive Wealth Management in January 2006. Further information is available at www.exec-wealth.com. Specht can be contacted at dave.specht@pl.com.

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