

Family-owned Financial Institution Study: What's Your Legacy?

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Reflect back for a minute on the pioneer heritage that surrounds the state of Iowa. There are tales of courage, hard work, sacrifice and great foresight. Although you aren't crossing the state in covered wagons, you are creating a legacy that will live on for a very long time.

What will be the legacy of family-owned banks in Iowa? If a 2008 study of family-owned and closely held financial institutions in Iowa, Nebraska and Kansas is accurate, there remains significant opportunity to improve that legacy. The study, conducted in partnership with Cross Financial Group of Lincoln, Neb., brought to light three major hurdles that families face in perpetuating a healthy, profitable bank for future generations. The three areas of concern that surfaced were leadership development, strategic planning and transition planning.

Leadership Development

Of the Iowa bankers that responded, 80 percent said they expected the next President/CEO to come from an internal source. Including Nebraska and Kansas, 78 percent of the banks that responded said they expected the next leader to come from within. At the same time, the study revealed that only 15 percent agreed or strongly agreed that the bank's ownership group had a successor development plan in place. Clearly there is a disconnect between the plan and the planning process. Are the resources not available to foster that kind of planning, or is it just not a top priority? The opportunity to give successor leaders a track to run on and a roadmap to successfully lead the bank into the future is significant.

Strategic Planning

While lending institutions thrive on supporting the long term goals and plans of customers, there seems to be a lack of strategic planning among banking institutions in the Midwest. Responses from Iowa bankers show that only 40 percent actually have a three to five year strategic plan in place. This statistic is hard to explain as most family and closely-held banks are managed for the long-term. Creating a working strategic plan will allow leaders to create a clear vision for the bank and will foster accountability among the team members.

Transition Planning

One of the most glaring statistics that came out of the study was that 55 percent said that they expected a transition to a new President/CEO in 10 years or less. The timeliness of creating these plans and executing on them is paramount. There are multiple types of transitions that must be addressed and their dynamics are very different. There must be a management transition plan and also an ownership transition plan. Both are vital to the ultimate success and vitality of the bank. Successful transitions take time, effort and planning.



Conclusion

In order to successfully perpetuate the state's banking institutions, we must do a better job of developing leaders, creating and following long-term strategic plans and actively working on transition planning. Carefully consider the strengths, weaknesses, opportunities and threats regarding your own bank and its plans. Be proactive in creating an arrangement that works for you, and build confidence knowing that you have a plan.

Like the pioneers, you must map your voyage to success and then follow the plan, even when the winds of change are cold and the journey seems long. Your successful expedition will pave the way for others in your community to build and achieve their dreams.

About the author:

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