

NORTHWESTERN Banker Newsletter

Vol. 2. No. 24

Des Moines, Iowa

October 16, 1972

Five Challenges for Bankers

Thomas R. Smith, chairman of the Agricultural and Community Banker Division of the American Bankers Association, delivered the following address during the 98th ABA convention in Dallas last week as part of the "Speak Up" program. Mr. Smith is president of the First National Bank in Perry, Ia. The talk is presented here almost in its entirety.

The community banker is on the verge of a great opportunity. There is new national pressure to stimulate growth in our small to medium sized communities, and bankers can play a big role.

In the past few years a significant national goal has developed — that of strengthening our communities to slow the population flow to the overcrowded cities.

Bankers are in the spotlight today because if this national goal is to be met, we will have to assume the role of leadership. We are on the cutting edge of decision-making in our communities. Development of our communities means commitment of financial resources. We are in the mainstream of decision-making and can help our communities more. Community bankers are on the hot seat in other areas, too. With more government regulations, and more federal agencies involved in financing, there is pressure on profits.

There is no standing still in the

community bank today. Either we focus on the problems and opportunities at hand, or we will slip backward.

So I speak to you today with a backdrop of national significance. The direction our communities head will be strongly influenced by the decisions made in our own board rooms. We have a clear choice. We can tackle our community challenges and turn them into opportunities, or we can stand aside and watch others take the lead, and perhaps watch neighboring communities and other financial institutions grow at our expense.



Thomas R. Smith

Survey of 12,000 Banks

Your American Bankers Association is addressing itself to the role of the community banker, in hopes of lending valuable assistance to member banks in meeting today's challenges. The ABA has surveyed more than 12,000 banks — community banks with total resources of under \$50 million. The purpose of the survey was to identify the major problems or challenges which face the community banker.

We know that community banks must change. As one banker said, "the

days of the so-called small-town bank serving only farmers and a few businesses related to farming is a thing of the past. We must continue to serve farmers, but strive to provide services and leadership necessary to develop the community as a whole." I think that pretty well sums up what the Agricultural and Community

CHALLENGES. . .
(Turn to Page 3)

Adams Named President

Eugene H. Adams, president of the First National Bank of Denver, was officially elected president of the American Bankers Association during the 98th annual convention in Dallas last week. The convention was attended by an estimated 11,500 persons.

Rex J. Morthland, chairman and chief executive officer of The Peoples Bank and Trust Company, Selma, Ala., was named president-elect.

Joe H. Davis, Sr., executive vice president of First National Bank of Memphis, Tenn., was named to his second term as treasurer.

Mr. Adams succeeds Allen P. Stults as president. Mr. Stults was elected chairman of the ABA Governing Council for the coming year. He is chairman and chief executive officer of the American National Bank and Trust Company of Chicago.

The 1973 convention will be held in Chicago. The 100th annual convention will be held in Honolulu, Hawaii in 1974. (Turn to Page 3)

you're in first national territory

first national bank
of omaha



THE BANK THAT HELPS YOU GET THINGS DONE



First National Bank
DEPOSITS INSURED TO \$20,000 BY F.D.I.C. *in Sioux City*

IOWA NEWS

CHARLES CITY: The Redevelopment Commission recently gave approval for Citizen's Bank to move into the Cedar Mall shopping center. In spite of doubts about traffic snarls, the bank, which will be located on the southeast corner of the Mall, will have a drive-up window and a drive-up island.

DEWITT: Directors of First Central State Bank have announced that Alan R. Tubbs, John W. Fagerland and Edward L. Tubbs have purchased an interest in First Central and have assumed management.

Co-owner and executive officer will be Alan Tubbs, now professor of finance and farm management at Oklahoma State University and consultant to the Oklahoma Bankers Association. Mr. Fagerland and Ed Tubbs, co-owners of the Maquoketa State Bank, will devote part-time to First Central.

DUBUQUE: An out-of-court settlement has been reached in a \$2 million breach of contract suit between Key City Bank and Trust Co. of Dubuque and Hawkeye Bancorporation of Red Oak, according to officials.

MISSOURI VALLEY: An application has been received from the First National Company of Missouri Valley, Inc., for prior approval to acquire 80% or more of the voting shares of the First National Bank of Missouri Valley.

NEWTON: Groundbreaking ceremonies were held recently for the construction of the Newton National Bank's full-service branch. Located at 1819 First Avenue E., the bank will offer drive-in and walk-in facilities. The building will be colonial in style and is expected to be completed by February 1.

POSTVILLE: W. A. Kneeland, president of the Postville State Bank, has announced that the bank will hold open house for its customers and friends on October 27 and 28. The open house is in observation of the 100th anniversary of the bank.

SPENCER: The Farmers Trust and Savings Bank has opened a new Southbank at 825 South Grand. Michael A. Baehr has been appointed manager for the new installation.

NEBRASKA NEWS

CHADRON: Tim Spoeneman was named manager of the installment loan department at the Bank of Chadron.

OMAHA: The Mid City Bank's new \$250,000 branch at Dodge Street and Saddle Creek Road has opened, according to President James G. Fitl. The white brick building has three drive-in stalls and inside teller windows for walk-in customers. Mid City's main bank is at 304 South Fort 42nd St. Nicas-Goldstein & Associates of Omaha designed the new building and Oltmann's Construction Co. of Omaha was the general contractor.

THEDFORD: John C. (Jack) Stevens has been named executive vice president, cashier and managing officer of the Citizens State Bank.

WEST POINT: R. A. Beckman has been appointed cashier at the Farmers & Merchants National Bank.

ILLINOIS NEWS

MARION: An application for a permit to establish a new Illinois state bank, The Peoples Bank of Marion, has been filed. The bank would be located on North Carbon Street. It would have total capitalization of \$1,250,000, consisting of

\$500,000 in capital stock, \$500,000 in surplus, and \$250,000 in reserve for operating expense. The 25,000 shares would have a par value of \$20 each. Applicants are: L. D. Fern, Leslie Meredith, J. C. Mitchell, William V. Brown, Gerald D. Mullen and Glenn Clarida, all of Marion.

SKOKIE: Robert J. Mathisen has been elected vice president of the Old Orchard Bank and Trust Company and will head the consumer loan department, according to President Louis E. Rieger. Mr. Mathisen was previously serving in a similar capacity at the Oak Park Trust.

SUBLETTE: An application by the Farmers State Bank for consent to exercise trust powers has been approved.

COLORADO NEWS

COLORADO SPRINGS: An application by John W. Low for a bank charter has been disapproved by the Administrator of National Banks.

COLORADO SPRINGS: The Federal Reserve Board has approved the application of the Central Colorado Bancorporation, Inc., to acquire the State Bank of Greeley. The board said the acquisition would increase Bancorp's share of statewide deposits by only one tenth of a per cent and "would not result in a significant increase in the concentration of banking resources in Colorado."

MINNESOTA NEWS

DULUTH: Dale Abrahamson, a native of Duluth, has been elected trust marketing officer for the First American National Bank.

MINNEAPOLIS: Gary D. McDowell has been named a trust officer in the trusts and estate development division of the First National Bank of Minneapolis.

TRIMONT: Walls are rising for an addition to Farmers State Bank at the west end of Main Street. The addition will add approximately 1,500 square feet west of the present space. Contractor for general constructions in Buhler Construction of Butterfield.

NORTH DAKOTA NEWS

FARGO: The 1973 North Dakota Bankers Association annual convention will be held in the Holiday Inn in Fargo, May 9-11, instead of in Grand Forks.

LANGDON: Arlo T. Maag has been appointed assistant vice president of the First Bank of Langdon. He had been associated with the Jamestown National Bank.



George Harnagel

*Correspond with the bank that knows
the importance of your bank
to your community.*

**IOWA-DES MOINES
NATIONAL BANK**

Member Federal Deposit Insurance Corporation

Call on the "Performance Team"...

Where the record speaks for itself in the administration of Employee Profit Sharing Trusts.

FIRST NATIONAL BANK & TRUST COMPANY OF LINCOLN

13th and M Street • Lincoln, Nebraska 68501 • Member, F.D.I.C.



Five Challenges for Bankers

(Continued from Page 1)

Banker Division would like to do — help banks provide leadership and services necessary to provide for healthy community growth.

The theme of our convention is "speak up". And that's exactly what we intend to do as we frankly square off on the big issues facing community bankers today.

Federal Agencies

1. To kick things off an Indiana banker sums up one of the big concerns on the mind of community bankers. Listen now as we tune in on his comment:

"One big problem on the minds of community bankers is government reports and our relations with government agencies. We are genuinely concerned about the many regulations. One banker I know is considering hiring an officer to do nothing but interpret government regulations for his bank."

There's no question that interpreting and complying with government reports is a major concern to bankers.

But government reports are only a part of this overall problem of government agency relationships.

A banker from the state of Washington addresses his comments to another area. He says, "The proliferation of laws and regulations is our biggest problem. Every year more and more are added to them, and each new law requires time that costs money."

One of the challenges we have as community bankers is getting our comments through to the federal agencies.

And bankers can become involved in government activities. Our survey reveals that about 30% of the community banks have employees who hold elective public offices and another one-fourth have held public offices in the past. This matter of government relations will be part of the deliberation of ABA committees in the weeks ahead.

Need For Industry

2. A second area of banker concern is the need for industry. But looking at the community as a whole, the need

for industry ranks as the number one problem.

Three-fourths of the bankers surveyed rated lack of industrial development as the number one problem in their communities. Listen now as a Minnesota banker speaks up on the need for more industry.

"Our problem is probably no different than that of many community bankers. We need funds to develop agriculture and industry. We need businesses to attract our top young people back home after college."

Typical of the frustration in this area of community development is a comment from South Dakota. "What communities need is industry. What cities need is less industry. I can't understand why industry doesn't move out here."

I would like to speak up on this issue myself. I believe many of us are guilty of complaining about the lack of new industry without putting some shoe leather on our desires. I wonder if we are really taking advantage of growth possibilities right under our noses. These vary from one area to another. The thing we are all after is a new industry, because we know that for each 100 people employed by industries in our community, retail trade goes up \$1.3 million, personal income goes up \$2.9 million. It also means 5 new retail businesses.

But let's not forget that many of our community banks are in agricultural areas where there is still room for a tremendous amount of development. When a grain producing community intensifies by feeding its own grain to livestock it makes a big difference. Each additional 5,000 hogs generates \$1-1/4 million extra income in the community.

Each additional 5,000 head of cattle generates \$8.75 million in the community, according to figures from the Iowa Development Commission.

And that seems to make more sense than shipping the grain to be fed outside of the community. Many of our small businesses, if expanded with good management, could spark community growth.

But in some of our communities growth is stifled because the banker

hasn't pointed out opportunities to small businessmen. Worse yet, some businessmen are discouraged from borrowing more money than the bank's legal lending limit by nearsighted rural bankers. Not only does this restrict community growth, but also is the kind of lending policy that helps you lose business.

But there are progressive-minded bankers who take the lead in their communities, too. In Dike, Ia., Marvin Graves saw a chance to help his community by spearheading the development of a feedlot.

Mr. Graves became the information hub for this community project which involved 20 investors who included farmers, and other interested businessmen. His office was the meeting place for the early discussions which gave birth to the cattle feedlot idea.

He invited experts from several areas of specialty to discuss the potential of a feedlot with would-be investors.

After the information had been absorbed by the group, a board of directors was formed, money was pooled and a feedlot was opened. The initial benefit is obvious. The Dike bank became involved in financing cattle and the feedlot... but as far as the community is concerned, the feedlot provided an opportunity to keep more money at home. That's income that is multiplied through Main Street stores many times.

So there are things bankers can do to spark community growth. An ABA booklet on community development gives many of the basic guidelines. It points up the need for a labor survey, good industrial sites and an active industrial development committee. It is interesting to note from the ABA survey that two-thirds of the bankers said they are



**Christy
Armstrong**



**Leo
Kane**



**Bob
Scott**

*"WE HAVE WHAT YOU WANT
in a correspondent bank"*

**American Trust
and Savings Bank**

9TH AND MAIN, DUBUQUE, IOWA
MEMBER FDIC - FRS



We've taken a room and unlatched the latches
tied down the furniture, battered the hatches
laid out the cigarettes, (also the matches)
for another of MNB's famed coffee & latches
So stop in for coffee and also Kolaches.

(We've been baking them up in batches and batches)
but remember this year there's a catch....
and the catch is....

The Kolache Party
has been moved

This year we're holding it after the Convention Theater Party at the Hilton Coliseum, right next door to the C. Y. Stephens Auditorium in Ames. Stop in and have one (kolache) for the road. We'll be there till midnight, Tuesday evening, October 24th.



MERCHANTS NATIONAL BANK

CEDAR RAPIDS, IOWA 52401

Who said

13

couldn't be your
lucky number?

Write for "13 ways the City's computerized investment program will make you a better portfolio manager."



CITY NATIONAL BANK AND TRUST COMPANY
P. O. Box 226, Kansas City, Missouri 64141

on a committee seeking new business, but as one Nebraska banker told me recently, "We don't really know what we're doing."

In the long run, the real difference between communities who get a new business and those who do not is hard work. Seward, Nebr., recently landed a new industry that will employ 300 people, and John Cattle, the banker working on the project, told me that he lost 19 lbs. during the period. So industrial development can be a time-consuming, demanding, but highly-rewarding job for a community banker.

Bank Management

3. Another area where there has been considerable comment is bank management. Listen now as a Kansas banker focuses on the problem of bank management:

"Community bankers are faced with a serious management crisis. There is a real need for profit planning, but many community bankers just don't know how to go about planning their profit program."

Management crisis.

That's a broad term that covers lots



Call
Howard Nielsen
for

**Personal Attention
to All Your
Correspondent Needs**

CALL
402
AREA CODE

536-2000



of specific problems in banks today. Decision-making is becoming more complex. And, to avoid the complexities of decision-making, some bankers let someone else make their decisions.

Banks with only 30% of their deposits loaned in the community are led by bankers afraid to make decisions. If you are only 30% loaned up, you are telling the world that you don't have enough confidence to administer your own loans so you put your money with someone else who might invest it right back in your community for you.

The alternative to not making decisions, is to make them in an orderly fashion. It's smart for the community banker to give responsibility to others in the bank so the decisions and the management of the bank become a teamwork approach. This means that by the time a decision gets to the president, someone else in the bank has taken some time to suggest some alternative courses of action. I tell my associates, "Don't bring me problems; bring solutions to problems." That's management. Good management in the community bank means teamwork.

I like to picture the job of management as giving the team plenty of running room. The field of management is bounded by several elements. The more we can keep these elements from limiting our scope, the better our chance to make a profit.

Our first fence around the field on which we operate is morals and ethics. This is a pretty stationary fence. These don't change too fast, although I know one banker who would not make loans to customers who consumed any form of alcoholic beverage. Obviously, he was making a fence that proved to be too tight for his management team in today's modern world.

The second fence is one which we impose upon ourselves, budget. It takes good management to know the best place for this fence. A \$10,000 promotional campaign might be just the thing for one bank, and might be a waste of money for another. So, it takes good

management to know just how far to push this fence called budget. A little extra for the right kind of people may greatly open up some additional running room on this management field.

The third fence that limits management is laws and regulations. We can influence these through the legislative process. But, in many cases, we make false fences because of a poor understanding of the law. Many bankers run scared of the bank examiner, so rather than making a loan which carries a little risk, they pass it up. In some cases, this limits their profit potential.

The final fence is bank policy. This is something you control. Again, it takes good judgment to know where to place this fence. So, there is a little of my own philosophy on management. I think part of the problems we have in community banks result from self-imposed fences like ultra-conservative lending policies.

And, a policy in this area can also influence other problems we have discussed. If a bank is only 30% loaned up, the bank is almost sure to have community development problems because the banker isn't loaning enough back to the community to let it grow.

How do you judge management? Simple. The report card of management is profit.

It's a sure thing we can't project profits until we have a pretty clear understanding of our costs, and I think cost analysis is at the heart of some of our community banking problems today.

Personnel

4. The solution to the management crisis probably lies in the solution to the next problem. The management problem is very closely tied in with personnel problems — a challenge explained by a community banker from Massachusetts. Let's listen:

"The training of employees and officers so they become interested and involved is a real problem in community banks. Management succession is also a problem."



Get to know our Correspondent Bankers.

Get to know: (left to right) Leon Winters, Harold Kinney, Lolita Hansen, Bill Fleming and Norm Burkepile. And let them get to know you. Then, when you need help with any of our services, you'll get the help you need. Quickly and efficiently.

COLORADO NATIONAL BANK
17th and Champa • Denver, Colorado 80202 • (303) 893-1862



The community banker survey showed that the big problem in banks today is the inability to attract, train and retain personnel. Personnel problems can be solved. I think one of the problems in the banking industry is that often we have been satisfied with mediocrity. We haven't been willing in enough cases to pay the little extra to get top caliber people. Rather than fire a mediocre employee, we have been willing to wait until his retirement. Part of the problem is that we have made mistakes in selection of employees, and the only way to correct a management error of this nature is to make a change.

Another failure of bank management in the personnel area is poor training. Rather than establish an in-service training program, we have been making all the decisions ourselves. The result is a staff of people who bring problems to the boss, rather than solutions. It is no wonder management succession is a problem in many banks where the chief executive officer has been the sole decision maker.

Training of personnel is an area where the educational arms of the American Bankers Association may be of help to many of us.

Marketing

5. Now, let's listen to a community banker from Georgia speak up on a problem area that seems to be fairly common - bank marketing.

"Banking is in the middle of severe change. We need to create other services to expand our income base. We have to compete with aggressive financial institutions with fancy advertising, and don't know how."

Actually, very few bankers responding to our survey said they have marketing problems. Our committee "read between the lines" of other comments in concluding that bank marketing could be a part of their problem. When a fellow

business, I wonder what kind of program he has to do something about it.

Here's another classic comment from the report: "Costs are going up, but our income is remaining stable." I submit to you that this is not the problem, but is the symptom of a marketing problem.

And one final comment that tells me community bankers need marketing help. This comment reads, "There is too much competition in banking."

Let's face it ladies and gentlemen, there will be a continued profit squeeze, and there will be tougher competition in the decade ahead. But there is a solution. Community banks with aggressive marketing programs can be highly competitive, and will remain profitable in the years ahead.

I feel very strongly about marketing because I know what it has done for my bank, so let me briefly profile a program that is working for us.

Basic to any marketing program is knowledge of your costs. How can you possibly plan profitable new services if you don't know your costs?

Then, set your goals. Your goals become the basis for your marketing plan. One of our goals is to upgrade our customers to the point of utilizing four services per customer. The national average is 1.5. In other words, if a man has a checking account, a line of credit, and has a lock box, he is a three-service customer. Our immediate objective is to get our customers up to three services each, but our ultimate objective is four. Since our communities don't have a high influx of new customers we have to sell each one more services.

Then, we are ready to make a marketing plan. That's the plan of attack we will use to accomplish our goals. From what I see, and from reading some of the comments in our survey, marketing is a foreign term to many bankers.

But marketing is really a simple concept. Marketing is simply moving a product from conception to consumption at a profit. Think on that one for just a moment.

Profit, then, is that portion of price

whereby the value to the consumer exceeds the cost to the provider. But all too often when we talk about profit, we concern ourselves with the competition, with federal regulations and lots of other items which we can do very little about. But you can do something about serving your customer, and that's where marketing fits.

We need to ask ourselves, "What is our business?" To earn top profits, we must broaden our scope to that of selling financial services. And, I believe that the difference between the average and top community bank in the decade ahead will be determined by how well he sells financial services.

That means drafting and executing a marketing plan which is really no more than a road map to profit. You and I wouldn't think about taking a cross country trip without a road map. If we



For the Banker on the Move

To meet the dictation needs of the executive who travels or attends conventions, SONY has designed the Portable Dictating Unit BM-10 - the perfect complement to the Sony Transcriber BM-30.

Designed to use standard tape cassettes, available anywhere, the compact unit has a built-in electret condenser microphone - its own built-in speaker for on-the-spot review - an automatic electronic cue signal - plus automatic gain control.

For prices and descriptive literature write: Fred Hutchinson

515/244-0114

Economy Service Company
SONY 1115 HIGH STREET
DES MOINES, IOWA 50309

CORRESPONDENT BANKING AT ITS INDEPENDENT BEST

Make Your Correspondent Banking Dreams Possible By Calling On
Des Moines' Largest Independent Bank

**"MAKING
IMPOSSIBLE DREAMS
POSSIBLE"**



BANKERS TRUST

Sixth and Locust, Des Moines
515-283-2421

Member: Federal Reserve System and Federal Deposit Insurance Corporation

Bill Aldrich Dies

William B. Aldrich, 39, well-known Chicago banker, died of cancer at Evanston Hospital Tuesday, October 10. Funeral services were held in Glenview, with burial in Lincoln, Nebr., where Mr. Aldrich was born and reared.

Mr. Aldrich had been in the correspondent bank department of American National Bank and Trust Company of Chicago for 15 years, traveling in Illinois, Iowa, Nebraska and Missouri. He resigned from the bank this summer to join Ashwell & Co., prominent Chicago firm dealing in the short-term money market.

Mr. Aldrich is survived by his wife, Joan, and one daughter, Cathy, 6. The family lives at 2044 Balmoral Lane, Glenview, Ill. 60025.

did, it would take us a lot longer to get where we wanted to go, and probably cost us a lot more money. The same is true in our business. A marketing plan helps us get to our profit objective with the least amount of resources.

Optimistic

The road to profits in the decade ahead will be full of challenging detours. We have looked at several of them today based on our recent in-depth survey of community bankers.

All-in-all, I am optimistic. Although we face several trying challenges, I am confident that community banks have the resources at their disposal to meet these challenges with answers, and turn challenge into opportunity.

The American Bankers Association provides us an avenue of service and expression. Through our Association we can better focus on our problems. By working together through our Association we will find the solutions.

I think we have come a long way already. A famous man once said, "A problem well stated is a problem half solved."

And another philosopher wrote, "If you are not having problems, you are missing an opportunity for growth."

So let's think positive. Our banks and our communities depend on men with a vision to move on to newer and higher ground.

WANT ADS

**Rates 25 cents per word per
insertion. Minimum: 12 words.**

LOWER YOUR FARM LOAN RISK
By sending him DOANE'S Farming For Profit, the hard-hitting, fact-filled monthly newsletter that provides help in management, production and marketing. Free sample subscription for 6 months. Write D. R. Gorr, DOANE Agricultural Service, Inc., Dept. 701, 8900 Manchester Road, St. Louis, Missouri 63144.

POSITION AVAILABLE
Agriculture Representative for leading South Dakota bank. Two years experience agriculture lending - college degree preferred. Opportunity for advancement here. Send complete resume to: Box RSD, in care of the NORTHWESTERN BANKER, 306 - 15th St., Des Moines, Iowa 50309.

FOR SALE

Two late-model NCR Postronic Post-ing Machines - on full maintenance until computer conversion. Crete State Bank, Crete, Nebraska 68333. Telephone (area code 402) 826-2121.

WANTED

Good used night depository. Write Box DBG, c/o NORTHWESTERN BANKER, 306 Fifteenth Street, Des Moines, Iowa 50309.

LA SALLE'S Teller Referral Guide
can help your tellers work
more efficiently

It's a handy card that gives your tellers a complete step-by-step procedure for the proper handling of their various operations. Yours without charge. Just write or phone Cy Kirk or Max Roy at the LaSalle National Bank in Chicago today. Telephone (312) 443-2774.

Ag. Rep.

Agriculture Department head
for a leading \$150 million
Midwestern Bank.

Position open for aggressive, experienced lender with thorough knowledge of agriculture financing. Individual should have strong aptitude for business development and farm organization activities.

Excellent fringe benefits -
Salary open

Outstanding opportunity for
qualified person

Reply in confidence with
full resume to:

Box HBM,
NORTHWESTERN BANKER,
306 Fifteenth Street,
Des Moines, Iowa 50309.



**You don't need us.
We need
you!**

"C" **Central National Bank & Trust Company**
LOCUST AT SIXTH AVENUE, DOWNTOWN DES MOINES, PHONE 243-8181. MEMBER FDIC.

Vol. 2, No. 24 Northwestern Banker Newsletter is published weekly by the Northwestern Banker Company, 306 Fifteenth Street, Des Moines, Iowa 50309. Subscriptions 25¢ per copy, \$6 per year. Second class postage paid at Des Moines, Iowa. Address all mail subscriptions, changes of address (Form 3579), manuscripts, mail items to above address.