

YOUR CORE VALUES SHOULD BE YOUR DIFFERENTIATORS

A few days ago I ran a little experiment. I googled “Community Bank Core Values.” I wanted to see what was the most common core value. Here is what I found from my first four results.

- Bank 1 = Integrity, Commitment, Financial Responsibility, & Independence
- Bank 2 = Integrity, Community, Excellence, Teamwork, & Professionalism
- Bank 3 = Trust, Integrity, Commitment to Communities, Respect, Strong Work Ethic, & Innovation
- Bank 4 = Accountability, Knowledgeable, Teamwork, Agility, & Pride in People

See any trends? Integrity is a common factor, and so are commitment and accountability. Some banks value teamwork, while others highlight independence. But the more you start looking at the Core Values of banks, the more you start seeing the same words repeated over and over. Need more evidence?

In 2009, the Financial Brand (website) published a short article on the Core Values within banks. They had analyzed the Core Values in 50 banks across the US. While that is not a large sample size, it is important to realize that many of banks still do not have Core Values. Here are the top eight most common Core Values:

- Integrity = 34 Banks (68%)
- Teamwork = 15 Banks (30%)
- Excellence = 11 Banks (22%)
- Commitment = 10 Banks (20%)
- Honesty = 10 Banks (20%)
- Respect = 10 Banks (20%)
- Service = 10 Banks (20%)
- Professionalism = 8 Banks (16%)

The funny thing is that each bank has its own unique one sentence definition of what the Value means. Integrity can mean everything from being honest and ethical to being accountable to your promises. We also see quite a bit of overlap with the Values. While Webster’s dictionary will have separate definitions, we believe Integrity, Commitment, Honesty, and Respect are all hitting at the same type of idea. All of this leads me to the question I want to pose to you ...

How many banks don’t believe in Honesty or Integrity? Name me a bank that isn’t committed to achieving Excellence? Which bank is going to go against Teamwork? The answer is none. These kinds of Core Values are what I call “price of admission” values. Every banker needs to have Integrity, which is just a minimal requirement to be successful. As they stand right now, the majority of Core Values in banks today are vague, bland, and utterly worthless.

Your Core Values are supposed to be what separates you from the herd. They are supposed to be what makes you a unique financial institution that your customers find appealing. The Values are supposed to be the standard up to which all of your people live, and cannot be fulfilled by showing up. As you will read, your Core Values need to be your differentiators and not the minimal requirements of being a banker.

Core Values can be incredibly powerful or completely insignificant.

There is little scientific proof that Core Values (or competencies) have any impact on an individual’s performance. This may sound strange coming from the creator of the Core Value focused Human Capital Banking, but it is the truth. Within an individual, out of all the Core Values, only two have been linked to increased performance: Intelligence and Conscientiousness. In short, intelligent people are more likely to perform at a higher level than less intelligent people, and the more you pay

attention to details (laymen definition of Conscientiousness) the better you will perform. From over 40 years of research, it is only those 2 things.

The real value is not the individual living the Core Value, but rather all of the employees across the organization living the Core Value. Think about it. One person dedicated to the highest levels of customer service won't make a difference, but if every individual in the organization is dedicated to customer service it becomes something special. It is the difference between Southwest and Delta / United. There is no doubt that some employees within Delta or United that are great at customer service, but it isn't like Southwest, which is known for bringing the FUN to customer service.

The best metaphor is a rowing team. Everyone in the boat needs to be pulling at the same speed, with the same power, and have the same endurance, otherwise the boat starts veering off course. Core Values should set the template and standard for elite performance, and not basic rowing skills. When the values are aligned across your bank, then everyone is pulling in the same direction at the same high speed. That is how you win, and not just finish, as a bank indistinguishable from its peers.

What Core Values can be Differentiators?

If you have attended any business school, then you know the preference is to make everything simple. A complex study of the marketplace is replaced with a SWOT analysis. The process of customer segmentation is replaced with a 2x2 product attractiveness grid. Or my favorite, there are only three differentiation strategies in the market. You can follow either a product leadership strategy, an operational excellence strategy, or a customer intimacy strategy.

Now this may seem like a gross oversimplification, especially as you look at your bank. Some of you might be even thinking you are following all three strategies, as you have top quality products at the lowest cost, while maintaining a strong customer relationship. But you would be wrong. To truly be differentiated against your competitors, you can be "good" at a lot of things... but you need to be "great" at one thing.

And this is where Core Values help you drive your differentiation strategy. You don't want your people having the skills and abilities to create the most innovative products, while your bank is dedicated to having a cost leadership strategy. However your bank chooses to differentiate itself, all of the people in your bank need to live up to the Core Values that drive that strategy. Otherwise, it is like having a rowing team where half of your people pull in one direction, while the other half pull in the opposite. You'll end up going nowhere.

Each differentiation strategy has its own set of Core Values that are unique to it. Below is a brief description of each differentiation strategy, and most importantly, what unique behaviors and values are needed to drive your bank to true differentiation. We have identified a few of the eleven "Exceptional Banks" that were profiled last year in the Directors Compass as examples of the banking entities have been important in our crafting of Human Capital Banking.

1) Product Leadership - Think of Nike and Ferrari, or in the community banking world, The Bank of Hemet, for its exception commercial real estate loan generation capacity and underwriting, and EastWest Bank for their international focus, primarily in China. This differentiation strategy requires you to be the product leader in the banking world. You create new products and offerings. You are a first adopter with new innovative technologies or services. Your bank is synonymous with having the top of the line, best in class products and services among the banking market.

Product Leadership Core Values: Innovation, Drive to Be the Best, Top Quality, Calculated Risk Taker.

2) Operational Excellence - Think of Walmart and Toyota, or in the community banking world, Farmers and Merchants Bank of Central California for their cost efficiency and Citizens Business Bank for their product delivery and process excellence. This differentiation strategy requires you to have the lowest

cost among the market. You pride yourself on efficiency and being as streamlined as possible. You are also willing to innovate, but instead of innovating around a new product / service, you focus on innovating new ways to take out costs. Operational Excellence does not mean you offer poor quality goods/service, it means that you offer value for money.

Operational Excellence Core Values: Simplicity, Process Excellence, On Time All the Time, Value for Money.

3) Customer Intimacy - Think Nordstrom's and Harley Davidson, or in the community banking world, Amercian Business Bank for their elite customer service, Santa Cruz County Bank for their strong customer connection and Bridge Bank, N.A. for their entrepreneurial focus to banking. This differentiation strategy requires you tie yourself to your customers and adapt yourself to fit their needs. You have strong relationships with your customers and that allows you to build a deep understanding of each. You use that customer knowledge to build customized solutions that fits exactly their needs. Your customers would never think of moving to another bank because they would never get the same level of service they get from you.

Customer Intimacy Core Values: Flexibility, Elite Customer Service, and Entrepreneurial.

Organizational stability.

In addition to your differentiation strategy, there is one more thing you need to look at when selecting your Core Values: the stability in your organization. In the market we have seen both extremes. We have seen the banks with a constant rotation of leaders and new employees, and we have also seen banks which have had the same team for 20 years. Your bank's stability will dictate which kind of Core Values you need to focus on. But it isn't just the stability of your people, it is also the market and your competitors.

In a highly unstable environment, the organization faces multiple, significant shifts related to structure competitive or financial issues. With a great deal of change, your people need to be agile and able to handle change well. Your leaders need to be great communicators, more strategic and able to analyze multiple factors to make decisions quickly. High levels of instability will modify your differentiation strategy. Your timeline for launching an innovative product needs to be much faster in an unstable environment than in one with high stability.

In a highly stable environment the organization faces few or no significant shifts in their structural, competitive or financial situation. A stable environment allows people to take more time when making decisions, instead of constantly reacting to changes. Your leaders can spend more time developing their teams, building the business, managing long term projects and keeping an eye on the long term strategy. While stability sounds more positive than instability, being too stable can hurt your differentiation. Will you continue to drive your costs down through operational excellence if you have no competitors breathing down your neck?

Example Stable Core Values: Disciplined, Structured, Calculated Risk Taker and Long Term Focus.

Example Unstable Core Values: Creative, Entrepreneurial, Inspirational and Courageous.

How Human Capital Banking can help you differentiate yourself.

Having a set of Core Values on your website that you look at once in a while is worthless. It would be better to have nothing, than having Core Values that are mere decoration. Core Values are only worthwhile if they drive your differentiation strategy throughout your bank. And this is where Premier Performing Banks separate themselves from the herd. They make sure their differentiation strategy is embedded in the Core Values they select and ensure that every employee is aligned to that strategy and pulling in the same direction.

But the process for embedding a differentiating set of Core Values is not easy, and this is what Human Capital Banking wants to support you in accomplishing. Our partners have lead countless strategic retreats over the past 30 years and can help your bank differentiate itself. From there, our Human Capital services are designed to translate your bank's strategy into clear people actions. We will help you identify which of your people is best suited to achieve your ten year vision. We will help you develop and grow your people to make sure they have the right skills needed for your strategy. We will help you select the best candidate for an open position, that not only fits the job criteria, but also has the best organizational fit with the Values of your bank.

We want to be your bank's partner in differentiating yourself from every other bank. Whether it is Human Capital Banking, The Findley Group, or Young & Associates, we can help you build your strategy for success. If you would like to read any of the past Human Capital articles, you can find them all on www.HumanCapitalBanking.com

Cary Bailey-Findley holds a Masters degree in Industrial and Organizational Psychology and a Masters degree in Business Administration. He has spent the past eight years building the Human Capital within two Fortune 500 companies. He was the HR leader for the \$1 billion European Thermo King division within Ingersoll Rand. He currently is the Global Learning Manager for Maersk Line, and is designing and leading the development programs for over 30,000 employees. He specializes in talent development, culture change, and building HR models to drive business strategy.