

WHAT'S IN A NAME?

FRIEND BANK, A 106-YEAR-OLD ALABAMA COMMUNITY BANK, IS GROWING FOR THE FUTURE WITH A 20-YEAR PLAN AND A CATCHY NEW NAME THAT COMMUNICATES WHAT IT'S ABOUT

BY ROBERT HEUER

Adjusting to changing circumstances is, of course, a key to successful long-range planning. Hope Johnson, CEO of Friend Bank in Slocomb, Ala., hasn't let the difficult, recessionary economy get her down. She has been making plenty of adjustments while pursuing a 20-year growth and business development plan to expand her third-generation family bank's geographic footprint in southeastern Alabama.

Now in year six, Johnson and her team are executing a plan that began with the 2009 opening of the bank's first branch in a nearby larger city. Also among the plan's first steps was a rebranding that changed the bank's longstanding name from Slocomb National Bank to Friend Bank, a strategic move to support physical expansions into two nearby but separate cities.

Friend Bank's approach goes hand in glove with the bank's value proposition—"To help friends save wisely, spend prudently, and borrow cautiously"—as well as its covenant—"Banking True to You." Johnson and her team at Friend Bank coined these messages to drive the long-range plan of a bank that views 21st-century market opportunities as part of a historic continuum.

Today, in the wake of the recession, Johnson foresees an acquisition rather than de novo branching as a possible new expansion option for Friend Bank's growth plan. But more crucial for Friend Bank than physical expansion into new markets, she says, is "having the right people in place" to help double the community bank's asset base from \$75 million in 2011 to \$150 million by 2015.

Johnson's heart-felt passion for her livelihood as a community banker inspired the Harvard Business School to use her community bank's story to teach MBA candidates about the community banking industry. The university's case study illuminates how Friend Bank, like other community banks—by promoting entrepreneurship, self-reliance and a strong demand for locally provided financial services—represents an indispensable national asset (see "The Harvard Back Story" on page 74.)

Family heirloom

Slocomb National Bank was founded in 1905. Hope's grandfather, Harry Harris, started as a clerk in 1926, and was president from 1942 to 1974. Upon his retirement, the Harris family had an ownership stake of less than 50 percent. Taking over for his father, Lawrence

Harris grew assets from \$8 million in 1974 to \$36 million in 1991.

Before leaving for vacation one day, he left Hope a note that read "Take care of the bank, Dad." He died suddenly that weekend.

Johnson was 27 and pregnant with her first child. She was young but up to the task. She had earned multiple college degrees in business and finance, and she'd worked for two regional banks before going home to Slocomb in 1986 to learn all facets of the family business. She was named bank president in 1996.

Along with her husband, Joseph, now a branch president, Johnson and Friend Bank's leadership team changed the ownership structure, enabling her extended family to assume full control.

Expansion planning

Entering 2001, Friend Bank had assets totaling \$40.7 million, a sound balance sheet and 100 percent of the small town's deposits. Yet Johnson felt uneasy. Prospects for significant growth were limited. And the status quo was likely to make the community bank less and less competitive. The responsibility to preserve and grow family wealth, to allow for liquidity if the need arrived and create a substantial legacy for their three sons weighed heavily on her.





The Harvard Backstory

In 2009, as the entire financial world was still recovering from the Wall Street financial crisis, Hope Johnson traveled to Boston for her third and final year of Harvard Business School's Owner/President Management Program. The class consisted of executives from multiple industries and countries.

One of the presenters was Clayton Rose (pictured above with Johnson), a Harvard Business School faculty member and former executive at J.P. Morgan & Co. Later, upon learning two community bankers had attended his lecture, he arranged a lunch date.

"I shared our story and talked some about the current banking environment including Main Street versus Wall Street issues," Johnson recalls. "The story of community banking is about a world of trust."

That's no less true now than in Johnson's grandfather's day eight decades ago. She told her lunch companions how Friend Bank (then named Slocomb National Bank) forestalled a Depression-era panic by stacking dollar bills in wash tubs behind the counter for everyone in town to see.

As a college student in the 1970s, Rose spent summers working for a northern California community bank. He recalls learning firsthand how "community bankers understand their place in the local economy and respect the entrepreneurial nature of business."

That experience came to mind during lunch with Johnson. A year later, he contacted her and asked to write about Friend Bank.

The resulting 25-page case study, co-authored with Harvard Business School senior case writer Aldo Sesia, is entitled "Friend Bank: The Time for Hope." Rose uses it as a teaching tool in his financial-services-industry leadership course for second-year MBA students. The learning objective is to evaluate the "strategic, operational and cultural challenges that result from an ambitious long-term growth plan."

The many local contributions that community banks make "is not widely understood among business students," Rose says, mainly because large banks dominate financial news coverage. "The case study helps students stand in the shoes of a small bank's CEO."

Johnson returns to Harvard Business School each year for the Friend Bank class discussion. "During the Q&A, Hope is very compelling at getting both the operational details and the high-altitude issues," Rose says. "She connects with people in a human way."

Johnson learns from the give-and-take with Harvard's students. "The experience of interacting with business students from around the world is priceless. Their enthusiasm for community banking is encouraging."

Friend Bank's executive team determined the potential feasibility for an annual net-income growth of 10 percent over the next 20 years. The plan was to slowly develop a footprint throughout southeast Alabama's Wiregrass region.

Johnson realized the Slocomb National name would be an issue as the community bank moved away from its geographic roots. So an Alabama design firm, Slaughter Group, was consulted. In 2007, the bank's board of directors approved a new name, logo, and organizational creed and covenant.

Once the name change was adopted, the next stop on the bank's 20-year growth plan was opening its first branch 14 miles away in Dothan, the Houston County seat where the Johnsons raise their children.

Through Joseph Johnson's business work there, Dothan already accounted for 40 percent of the bank's loan volume and 10 percent of deposits. For two years, he worked out of a temporary office until a long-sought branch site for the just-right location became available at one of southern Alabama's busiest intersections.

Incremental steps

"Business strategy can involve doing something radically different or doing the same thing radically different," Hope Johnson explains. "With most banks pushing people out through automated channels, we remained consistent with our culture by looking for ways to bring people in."

The new Friend Bank branch in Dothan was designed accordingly. Warm and inviting, the branch's lobby has a fireplace and children's art on the walls. There is a refreshment center, central courtyard with seating, a community room and an outdoor pavilion (with park space and grill area). All of these spaces are available free of charge

Get the Study

The Harvard Business School's case study on Friend Bank is available through the Harvard Business Review website for \$6.95. Go to www.hbr.org and search for "Friend Bank: The Time for Hope."

to local groups and small-business customers.

Also an integral part of the branch is its four-legged greeter, Buddy—the Johnson family’s dachshund. He’s the bank’s “most enthusiastic employee,” Johnson says.

Buddy was in fact a component of the bank’s branding strategy as developed by Slaughter Group. He was adopted in 2008 and became part of Friend Bank’s campaigns to publicize the branch’s opening in Dothan and overall new branding efforts. His image was included in a widely circulated bank ad with the tagline “How many banks have a dog?”

Marketing director Lorriane Mouery, who joined the bank in 2009 when the branch was under construction, began coordinating most of the bank’s outreach and marketing activities, including its “Friend of a Friend” program, which provides special benefits for employees of business customers, and the “Tell-A-Friend” program, through which bank customers are rewarded for referrals. Soon it will have a presence on Facebook.

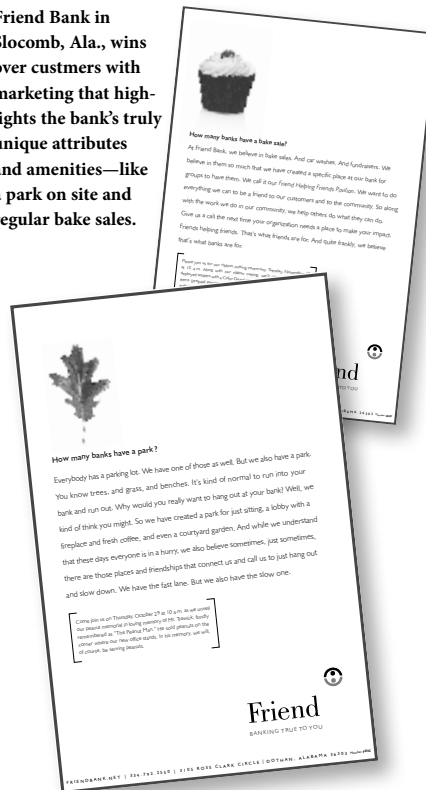
The bank’s advertising dollars are devoted to radio spots that promote community organizations in association with the Friend brand. Ads highlight bank-sponsored events that benefit particular non-profit agencies. Employees receive 40 hours of paid volunteer time each year to participate in “Team Friend” outreach and financial education activities.

“Our marketing is creating a new pathway into people’s consciousness,” explains Friend Bank Senior Vice President Charlie Breedlove, who leads a five-person lending team and coordinates all the calling and monthly business development meetings for the bank’s two branches.

Recently a group of professionals accepted invitations to attend a luncheon at Friend Bank’s community room. “We wanted to let them know what we do—including areas beyond banking,” Breedlove says. “Our approach helps keep the bank at the forefront of customers’ thoughts” when their own client seeks a referral.

“Our outreach and marketing activities give the community and potential

Friend Bank in Slocomb, Ala., wins over customers with marketing that highlights the bank’s truly unique attributes and amenities—like a park on site and regular bake sales.



customers insight into the bank’s culture,” Breedlove says. “Once they know us, we can build the trust needed to earn their banking business.”

“Bigger institutions are always going to be able to outspend us and have greater economies of scale,” Johnson says. “We needed to develop business strategies that play to our strengths.”

Active in ICBA leadership for 15 years, Johnson has been outspokenly optimistic about the future of community banking for years, and today’s widespread consumer frustration and anger with Wall Street only reinforces that optimism. “Wall Street versus Main Street is a powerful message,” she says, adding that it’s more important than ever that community bankers share the community banking story, and the Harvard case study on Friend Bank is just another way to get the message out.

“Community banks are doing amazing work nationwide,” Johnson says. “In aggregate, our industry has a significant positive impact on growth and development in Main Street America. I am so honored to be a part of this great American industry.”

Robert Heuer is a freelance writer in Chicago.