

Econ 466
Learning Project #2
Spring 2010

COMMUNITY BANK MANAGEMENT STUDY

Objectives:

The objective of this project is to give you first hand understanding of the function and management of a financial intermediary serving agriculture — a rural community bank. In addition, you will be asked to describe the key elements in the bank's competitive strategy. Finally you will select, describe and analyze a management problem currently being faced by the bank. Again, I am going to ask you to approach this project in a team setting.

Research Procedures and Objectives:

1. As a team, select a community bank for analysis. You might consider choosing the hometown bank of someone on your team. It would be helpful if you knew someone at the institution. I'd also suggest you take a quick look at the bank's financials using the FDIC web site before you make a selection.
2. Send me the name of the bank you have chosen to study for my approval before you proceed with the project.
3. Contact the bank and ask them if they would be willing to participate in the class project.
4. In person, or by phone, interview bank personnel about the bank's:
 - organization
 - trade area and competition
 - policy toward agricultural lending
5. Prepare a thorough overview of the bank's financial performance and conditions using information on the FDIC Web site. Examine trends for the bank as well as its major competitors within the trade area.
6. In person or by phone, discuss your findings with bank personnel. Ask them to describe the basic elements of their competitive strategy: cost advantage or benefit advantage? What do they define as core competencies or unique resources? What are the major segments in their ag loan market? Do they intend to serve all of them? If so, how? If not, why?

7. Based on your interviews with the bank's managers, select a management problem that the bank is currently facing or have recently faced. Here are a few examples of management problems – but don't feel constrained by the list:
- asset/liability management
 - strategies to increase new loan origination
 - acquisition of and/or merger with other banks
 - adjusting to deregulation or regulatory changes
 - sourcing deposits and other loanable funds
 - community development

Describe the management problem. Clearly discuss what the consequences for the bank will be if the problem is not resolved. Describe the management options that are currently being considered by the bank. Finally, give your own assessment of these options. Will they work? If not, what would you suggest?

Paper Requirements:

Prepare a well-written report that clearly describes your team's findings. This report should be 8 – 10 pages, double-spaced. Tables and graphs are extra. In addition, prepare a one-page summary of your report to hand out to the class.

Class Presentation:

Present your findings to the class. Plan on a 15 – 20 minute presentation with 5 – 10 minutes of class discussion. PowerPoint presentations are encouraged.

Evaluation:

1. Grades will be assigned to the team. (The team may suggest how grades should be allocated to individual members, however).
2. The paper will comprise 85% of the learning project grade. The paper will be evaluated on the basis of completeness (30%), quality of analysis (30%) and communication (40%).
3. The oral presentation will comprise the remaining 15% of the grade. It will be evaluated equally on the basis of content and quality of communication.

Deadlines:

March 9, 2010: submit name of bank to me for approval.

April 15, 2010: written report and the one-page summary are due by the end of the work day.

April 22, 27, 29, 2010: class presentations.