



# Regional & Community Banks: Communications in a Time of Crisis

Regional and community banks have been instrumental as a financial resource of the mass and the underserved for decades. Bank of America, originally a community bank known as Bank of Italy, saved many immigrants and others from the financial pressures following the 1906 San Francisco earthquake.<sup>1</sup> Fast forward to today, regional and community banks, which have played an enormous role in building America, have led the headlines in the aftermath of the current banking crisis, facing enormous pressure and economic uncertainty.

While large banks play a crucial role in our economy, small banks are equally important. Small banks contribute 46 percent of private sector jobs and constitute a whopping 64 percent of new jobs in the U.S.<sup>2</sup> Of the more than 4,100 U.S. banks<sup>3</sup>, regional and community banks represent 97 percent of the institutions, and are mostly headquartered in counties under 50,000 in population.<sup>4</sup> The small and mid-sized institutions have also played an enormous part in the economic growth and prosperity in large markets across the U.S. from Silicon Valley to New York<sup>5</sup> and down to Atlanta,<sup>6</sup> providing avenues to enhance economic equity and financial literacy.

Tech startups, local manufacturers, farmers, retailers and other smaller businesses rely on community and regional bankers who have the ability to provide the necessary financial and lending services. While larger institutions play a key role, the backbone of the U.S. economy – small business ecosystem – wouldn't exist in its current form without the smaller banks.

The current banking crisis hit largely due to rising bond yields and interest rates, and in some cases mismanagement, triggering mass deposit withdrawals and investor pullback.<sup>7</sup> Subsequently, some pundits called for further consolidation of the U.S. banking system, in a move to a system more like Canada or in Europe, which is dominated by a few large banks.<sup>8</sup> For one, this would be a mistake given the aforementioned critical role the small and mid-sized banks play across the U.S. economy and a myriad of communities. And secondly, this obscures the fact that in today's "one-click" environment all banks are at risk if depositors flee - with the media, analysts, short sellers and consumers all capable of immediate influence and action in the digital landscape.

## Communications Prescriptions to Lessen Risks

While no bank can prevent market panic, planning and putting in place the proper short- and longer-term strategic

communications systems, can significantly up the odds as it can minimize damage and preserve its reputation when any solvency questions arise on a micro or macro market level. What are the key axioms for best practice? How can regional and community banks mitigate risks? Can a smaller bank build proportional communications infrastructure to be as effective as a larger institution?

Here are key actions to consider when building your short-term firewall and investing in your longer-term reputation:

1. **Invest in your reputation in advance:** Though a bank will face immense challenges once a deposit run ensues, a baseline of a strong reputation and confidence in the bank among stakeholders including customers, community leaders, business partners and media will often give the institution the benefit of the doubt among participants at a critical moment. In some cases, this buys extra days or hours to mitigate a negative situation. To scale, all banks should invest in building a proactive corporate reputation program including announcing new initiatives and company news, community engagement, partnerships, and business and services expansions. This also includes creating community camaraderie by gaining their trust through consistent communication to ensure their support. People who can identify the value of the bank and its value to businesses and the greater community, will be vital, especially in a difficult time.
2. **Build a tested crisis plan:** Building a crisis plan on the eve, or worse, in the midst of an emergency is a crisis in itself. It's too late. Bad news today travels at the speed of light. A tested crisis plan involves crisis preparedness, including an initial assessment, scenario planning and communications plans, as well as crisis response, including stakeholder analysis and communications for numerous scenarios, such as cybersecurity & data privacy, personnel issues, regulation, operational disruption or other situations. And crisis plans should be regularly updated, at least once a year, and after an acquisition or other major event. An outdated plan is a big risk.
3. **Be digital forward:** A recent report identified [digital and social media platforms](#)<sup>9</sup> as key contributors to instability and crises, as conversations and sentiment around a financial institution can change in minutes and hours, not days and weeks. Banks and their communications partners should invest in systems, such as digital consumer intelligence tools, that allow them to understand conversations and stakeholder concerns on these platforms. Then, they must be able to respond to those concerns quickly and effectively, utilizing digital communications channels where stakeholders know to find the most up-to-date information. Communicating on these digital platforms is essential, as key stakeholders will be searching for information where the conversation is already taking place.
4. **Engage with public officials and community leaders:** No one knows a bank's community better than an individual who has put their name on a ballot and won. Whether at local, regional, state or federal levels, elected officials are the people with whom constituents share their hopes, aspirations, frustrations and complaints. Seeking this group's input and guidance as a matter of course, building relationships with them and the local business and community organizations, will help gain trust, add influence and buy time if a crisis hits. Those relationships will also build your customer reach and bottom line over time.
5. **Focus on the future:** The greatest loyalty will come from people who know and believe that an institution shares their goals and dreams for the future. For the next generation, in addition to serving as a secure steward of their money, they can also learn financial literacy to build both savings and investments and where the basis of intergenerational wealth – education, property ownership and financial security in retirements – can become a part of the fabric of the relationship. By building strong individual financial security, regional and mid-sized institutions can cultivate stronger communities and relationships that last in both ideal and challenging circumstances.

## Endnotes

- 1 Office of the Comptroller of the Currency, "Bank of America: The Humble Beginnings of a Large Bank," (last accessed May 23, 2023), <https://www.occ.treas.gov/about/who-we-are/history/1866-1913/1866-1913-bank-of-america.html#:~:text=Share%20This%20Page%3A,residents%20%22on%20a%20handshake.%22>.
- 2 Chamber of Commerce Team, "Small Business Statistics", Chamber of Commerce (2022), <https://www.chamberofcommerce.org/small-business-statistics/>.
- 3 "BankFind Suite: Find Annual Historical Bank Data," Federal Deposit Insurance Corporation (FDIC, last visited May 23, 2023), [https://banks.data.fdic.gov/explore/historical?displayFields=STNAME%2CTOTAL%2CBRANCHES%2CNew\\_Char&selectedEndDate=2022&selectedReport=CBS&selectedStartDate=1934&selectedStates=0&sortField=YEAR&sortOrder=desc](https://banks.data.fdic.gov/explore/historical?displayFields=STNAME%2CTOTAL%2CBRANCHES%2CNew_Char&selectedEndDate=2022&selectedReport=CBS&selectedStartDate=1934&selectedStates=0&sortField=YEAR&sortOrder=desc).
- 4 "Community Banks: Number by State and Asset Size," Banking Strategist (last visited May 23, 2023), <https://www.bankingstrategist.com/community-banks-number-by-state-and-asset-size>.
- 5 Joe Nocera and Michael J. de la Merced, "The Value of Regional Banks," New York Times (April 4, 2023), <https://www.nytimes.com/2023/04/01/business/dealbook/regional-banks-economy.html>. (Subscription required)
- 6 Doris Quiros and Raphael W. Bostic, "Atlanta Fed Executives Discuss Community Banks' Role in the National Economy," Federal Reserve Bank of Atlanta (September 8, 2022), <https://www.atlantafed.org/economy-matters/banking-and-finance/2022/09/08/the-role-of-community-banks>.
- 7 Nick Timiraos, "Collapse of Silicon Valley Bank, Signature Bank Calls Fed Interest Rate Path Into Question," The Wall Street Journal (March 13, 2023), <https://www.wsj.com/articles/fed-interest-rates-inflation-svb-collapse-3495de76>. (Subscription required)
- 8 Chloe Taylor, "Shark Tank's Kevin O'Leary Says Failing Banks Should be Allowed to Collapse: 'Let the Ones Run by Idiots Go to Zero,'" Fortune (May 10, 2023), <https://fortune.com/2023/05/10/kevin-oleary-failing-regional-banks-allowed-to-collapse/>. (Subscription required)
- 9 J. Anthony Cookson, Corbin Fox, Javier Gil-Bazo, Juan Felipe Imbet and Christopher Schiller, "Social Media as a Bank Run Catalyst," SSRN (April 24, 2023), [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=4422754](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4422754).

Please contact one of the authors with any questions or more information on building an effective external communications strategy.

### DAN MARGOLIS

Managing Director  
Corporate Reputation  
dan.margolis@fticonsulting.com

### MATTHEW LAMAGNA

Senior Director  
Digital & Insights  
matthew.lamagna@fticonsulting.com

### DRUSHI PATEL

Senior Consultant  
Financial Services  
drushi.patel@fticonsulting.com

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