**Silicon Valley Bank: How Not to do A Master Plan**

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Something I think about is the “bank run” on SVB. How do you plan for an increase or decrease in demand of depositors? A forecast for how many people will withdraw from their accounts? And how much? Factors like these need to be considered no matter what the business it, whether it be a bank or a store. Planning has to be done ahead of time and different strategies can be used(short term & long term). What can you do when demand exceeds output? You could sell for a higher price, you can find & fix bottlenecks in the operations, or you can take preventive measures by having a capacity cushion.

Money itself is a product/service, an ATM can make its owner 3% on every transaction. A good location for an ATM machine would be inside a cash only business, both you and the owner would benefit. You could have one in a mall for when a business loses its connection. I found a very interesting article about forecasting + optimization with ATM machines:

“Withdrawal rate is impacted by many factors, such as location, day of week, day of month, and time of day, and can be dramatically impacted by holidays or other special events.” (mvgilliland)

The results are phenomenal:

90% decrease in cash outs

350,000 less customers impacted by reloading process

30% decrease in returned cash

10% reduction in costly replenishment trips. (mvgilliland, 2015)

These benefits come from the execution of a plan from reliable forecast data. What would be the point of spending resources on a forecast and not using it? Or even worse, a bad forecast.

I’m very interested in this story about SVB(Silicon Valley Bank), which caused me and a family member to have a conversation about bonds and now I’m interested in that too. The banks failure had to do with very bad planning from the top:

“In the case of the Santa Clara-based Silicon Valley Bank, which held most of its assets in U.S. government bonds, the market value of its bonds went down when interest rates started going up.

That’s because most bonds pay a fixed interest rate that becomes more attractive if interest rates fall, driving up demand and the price of the bond.

However, when interest rates rise, the lower fixed interest rate paid by a bond is no longer attractive to investors”. (USA Today, 2023)

This story is like a supply chain issue but with the financial sector. There’s an old saying about putting all of your eggs in one basket. The ironic part of this story is that the head of financial risk assessment was focused on a different type of diversity:

“I feel privileged to co-chair the LGBTQ+ ERG and help spread awareness of lived queer experiences, partner with charitable organizations, and above all, create a sense of community for our LGBTQ+ employees and allies," Esrapah wrote in SVB's most recent Diversity, Equity and Inclusion initiative from August 2022.” (Fox News, 2023)

Personally, I believe Politics is very bad for business; #1 you lose half your customers and #2 it’s a waste of resources. What it tells me is that they hired people to be “inclusive”, not based on merit or skill. It also tells me they probably only hired people with the same political beliefs, creating an echo chamber. I can only imagine how much infighting would not get resolved if they couldn’t resolve it when a potential employee walks in that door. I think the reason this bank failed is because of poor communication & cooperation among different functional units.  
I’m basing this conclusion on the words of an employee who is also responsible for the strategy that was formed from a bad forecast.

They went long on bonds as interest rates are going up. This was a mistake from the top of their organization, a failed business plan. Now what can they do in that position?.   
I ask myself these questions:  
Did they have a forecast for the value of those bonds? interest rate hikes?  
What was their mission?  
Where there any alternative strategies?  
There are so many different types of investments in this country I don’t know what to say.   
There is: Real Estate, Stocks, Precious metals, commodities, Cryptocurrency is now mainstream. A bank can even start their own business that services the bank and other businesses/professionals. Now its too late for them and there is blood in the water.

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