

Leading Change at Mascoma Savings Bank

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Abstract

How an organization manages the change process often dictates how effective and successful a particular change being implemented will be. Mascoma Savings Bank is a small, community bank with eighteen branch locations in the Upper Valley region of New England that prides itself on offering service similar to those offered at larger institutions with a small hometown feel. Using Dr. Kotter's eight step approach to change management (establishing a sense of urgency, creating a guiding coalition, developing a vision and strategy, communicating the change vision, empowering employees for broad based actions, generating short term wins, consolidating gains and producing more change, and anchoring new approaches in the culture), Mascoma Savings Bank has seen an increase in customer satisfaction in a time when many banking institutions are struggling to survive.

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Mascoma Savings Bank is a small, mutual savings bank based in Lebanon, New Hampshire. Chartered in 1899, Mascoma Savings Bank takes it's name from Chief Mascommah of the Squakheag Indian tribe of the area known as the Upper Valley of New Hampshire (Anonymous, 2011). The purpose of Mascoma Savings Bank was to serve the Upper Valley and the area surrounding Lebanon as a community and this is a purpose it continues to serve to this day. (Anonymous, 2011).

The first president of Mascoma Savings Bank was a Lebanon Mill Owner Col. Frank Churchill. Churchill was a member of the Governor's Council and was also the State Republican Chairman. Joining Churchill on the board of directors for Mascoma Savings Bank were publisher Harry Cheny, insurance salesman Salon Peck, lawyer William Cotton, former postmaster William Churchill, and Lebanon hardware store owner Charles Hildreth (Anonymous, 2011). Mascoma Savings Bank officially opened on April 8, 1899 and at the end of the first day of banking held a total of six deposit accounts (Anonymous, 2011). By the end of the first month of business, Mascoma had fifty deposit accounts and by the end of 1899 had assets of just over twenty six thousand dollars (Anonymous, 2011).

During the stock market crash of 1929, fears of banking failures ran rampant in the Upper Valley. Then president Burton Whitter proceeded to operate the bank with caution and helped to keep Mascoma Savings Bank solvent through one of the most disastrous financial crises in United States History when more than 1,700 other savings banks failed (Anonymous 2011). Through the course of the depression, Mascoma lost nearly a quarter of its total assets, and for the only time in the Bank's history, required a notice of withdrawal rather than payment on demand for accounts (Anonymous, 2011). The time surrounding World War II was actually

rather prosperous for Lebanon, as local mills became major suppliers of war related goods.

During the war, Mascoma Savings Bank created what they called a Victory Club, where people were able to purchase war bonds by making installment payments and encouraged those customers to use Mascoma's safe deposit boxes to keep their bonds in a secure place (Anonymous, 2011).

The first woman who was elected as an officer of Mascoma Savings Bank was Gertrude Hough, who was a lead teller that was named Assistant Treasurer of the bank. In 1952, Hough was one of five employees at Mascoma Savings Bank, at time at which Mascoma reached \$3.7 million in assets and had over 5,000 depositors. (Anonymous, 2011). In 1966 the bank installed its first silent alarm system, purchased four electric typewriters and a microfilm reader, and established Chief Mascoma as the trademark for the institution (Anonymous, 2011). 1966 also saw the retirement of Burton Whittier, who had been chief officer and treasurer of the bank since 1923 (Anonymous, 2011). Ruben Cole, who has started with the bank in 1947, succeeded Whittier as chief officer and treasurer and oversaw such technological improvements as transitioning from adding machines to computers, installing ATMs so that customers may have 24-hour access to their accounts, as well as through the deregulation phase of the 1980's (Anonymous, 2011).

Mascoma was one of several banks that saw rapid growth due to deregulation in the 1980's (Anonymous, 2011). What allowed Mascoma Savings Bank to survive the savings and loan crisis of the 1980's was that Mascoma chose not to convert to stock ownership from its mutual ownership status (Anonymous, 2011). In 1990, Steve Christy assumed the role of bank president right at the end of the exponential growth period of the 1990's (Anonymous, 2011).

Perhaps the greatest decision in the history of the institution happened in 1995 when Mascoma Savings Bank acquired eight offices of Green Mountain Bank (Anonymous, 2011). Overnight Mascoma went from being a New Hampshire bank to an interstate bank with more than double the offices they originally started with (Anonymous, 1995). Due to the fact that Mascoma was now doing business both in New Hampshire as well as in Vermont meant that Mascoma had to seek out a federal charter as their original one was no longer valid (Anonymous, 2011). What made the acquisition of Green Mountain Bank unique was that it brought more local control of the bank to the area when other institutions were experiencing the opposite fate (Anonymous, 2011). In 1999, Mascoma Savings Bank also acquired two branches of New London Trust, which not only allowed Mascoma to expand in the marketplace, but it allowed them to remain committed to the communities they served (Anonymous, 2011). Today Mascoma Savings Bank operates 18 branches in New Hampshire and Vermont with its main office located in Lebanon, New Hampshire and its operations center located in White River Junction, Vermont (Anonymous, 2011).

Perhaps one of the biggest changes that is occurring at Mascoma Savings Bank is the replacement of its fleet of twenty automated teller machine (ATM) units across its 18 branches as well as one offsite location (Mascoma Savings Bank, 2011). This decision was made for several reasons: first being that the older machines were constantly in need of repair and the cost of sending a service technician on site was growing, to comply with new regulations regarding security as well as ADA (Americans with Disabilities Act) compliance, and to offer similar services to larger, national banks at a small, hometown institution. Several years of research went in to determining not only which brand of ATMs the bank wanted to purchase, but what needed to be done during the on site installation process as well. Due to the size and the nature

of the investment to the institution, those individuals involved with the purchasing process wanted to be absolutely sure that the correct units were purchased and installed at the appropriate branches.

After years of planning and research, Mascoma Savings Bank decided to purchase their new fleet of ATM units from the National Cash Register Company (NCR). NCR offered the most advanced ATM that would not only serve the eclectic customer base of the Upper Valley region, but make it so branch staff was not required to go out and service the ATM on a daily basis as well. Following the success of implementing remote capture at all branches to speed up the daily balancing process for the Bank's proof department, Mascoma Savings Bank opted to install ATMs that are known in the industry as image enabled. Image enabled ATM units are simply ATMs that do not require the use of an envelope when a customer is making a deposit, rather the customer inserts their check into the machine, which is then scanned to an offsite image server and verified by back office staff at a later time (NCR, 2011). These ATMs also allow customers to insert a stack of currency into the unit, which the machine then counts and deposits into the customer's account (NCR, 2011).

Several parties were involved in the change process with regards to the ATM upgrade. The most important individuals in the process were part of the Bank's Electronic Services department. The Electronic Services department at Mascoma Savings Bank is responsible for ensuring that all ATMs are functioning within set parameters and that all deposit and withdrawal transactions are in balance at each unit on a daily basis. Outside of the Electronic Services department, senior managers for Retail Operations as well as the Marketing department had input as to what each side would like to see with the new ATM units being purchased. The advantage of having members on the change team from multiple areas is that it allowed each individual to

give their input to the group and more effective decisions were able to be made from there. Dr. John Kotter (2002) often mentions that organizations often fail to increase the level of urgency with regards to a change if an effective guiding team has not been established. The sense of urgency that the change is needed may be there when the initial problem is identified, however the level of urgency will eventually falter if the guiding team for the change does not keep the level of urgency high (Cohen, 2002).

From an organizational development standpoint, replacing outdated ATM units with newer, more sophisticated units serves the most basic purpose of organizational development in that it is making improvements to the organization for both employees and stakeholders (OD Network, 2011). For employees, having newer ATM units was an improvement in several different ways. First, the newer units were now being balanced on a weekly basis by the bank's cash courier service rather than daily by branch staff. Not only is this more secure for branch staff who may not be trained on what to do if they are robbed at the ATM but it also meant that branch staff was not required to service ATMs in inclement weather as well. Secondly, from a stakeholder standpoint, the newer ATM units would save money in the long run as service technicians would not have to be sent on site as often to repair machines that have broken down. Third, from a customer standpoint, the ATM units would be in service for their use more often, which would also lead to an eventual increase in the amount of business the bank procured as a result of the advanced technology. Fourth, the newer ATMs would allow marketing to utilize advanced features as another way to increase low cost advertising for the bank. Lastly, the new ATM units allowed for quicker processing of all transactions as the Electronic Services department no longer had to wait to process transactions being delivered via courier since the checks were now being imaged and sent electronically for processing.

The eight steps in Dr. John Kotter's (1996) approach to change management definitely came into play with regards to the new ATM unit installs, even though this fact may not have been the most obvious to those employees who were involved in the process. The eight steps are as follows: Establishing a sense of urgency, creating the guiding coalition, developing a vision and strategy, communicating the change vision, empowering employees for broad-based action, generating short-term wins, consolidating gains and producing more change, and anchoring new approaches in the culture of the organization.

Creating the sense of urgency to demonstrate the need to replace the Bank's aging fleet of ATM units was the first step in the long ATM installation process. The process for creating the sense of urgency consisted of primarily demonstrating how much of a financial burden the organization was facing by having to constantly finding the need to send service technicians on site to resolve ATM malfunctions that could not be solved by branch staff members. Updates to ADA compliance guidelines as well as PCI security standards was also becoming a major component of the Bank's operating environment and as such the Bank's older units would no longer be in line with regulations.

Once the sense of urgency was established, the guiding coalition was created. The coalition consisted of senior retail managers, the director of the marketing department, the director of the Bank's information technology department, as well as the supervisor of the Electronic Services Department as well as the ATM Technical Support Coordinator. Primary research into the units to be procured was performed by the staff in Electronic Services while the retail and marketing departments came up with everyday ways in which the units could be incorporated with the daily workflow of the organization as a whole. This allowed people who were subject matter experts in their respective areas provide input on the process as a whole and

allowed for better collaboration among the members of the team to come up with a creative solution.

In order to ensure that the team was successful, those involved with the ATM replacement process seemed to effectively demonstrate the complete opposite of Patrick Lencioni's Five Dysfunctions of a Team (2002). In his book, Lencioni demonstrated that ineffective teams often demonstrate five characteristics that ultimately lead to their demise. Those characteristics are: Absence of trust, fear of conflict, lack of commitment, avoidance of accountability, and inattention to results (Lencioni, The Five Dysfunctions of a Team, 2002). Trust among team members has been built up over the years as everybody on the team was quite familiar with one another with regards to strengths and weaknesses of each individual. Conflict did occur during the ATM install process on a regular basis, however this conflict was not always negative conflict. The conflicts that arose often happened due to a miscommunication somewhere and many times the situation was quickly resolved before it escalated out of control. There was no obvious lack of commitment with regards to the ATM install process as all branches as well as managers were on board with the process and want to see the changes through by whatever means necessary. There were a few instances where the individuals involved with the ATM install process did not want to be held accountable for problems that arose however those people were eventually removed from the process once it was made clear that they were not helping the process move forward. Inattention to results only came in to play when those who should have been held responsible did not want to accept the fact that mistakes were made and not resolved in a timely manner.

Developing a vision and strategy was the next step in the process. The initial goal of the ATM purchase and installation process was that all branches were to have newer ATM units

installed by the end of the 2009 calendar year and the strategy to achieve this goal was to prioritize installations based on the disrepair of the old machine on site as well as the proximity of the install site to the Bank's center of operations in White River Junction, Vermont (Mascoma Savings Bank, 2011). Once the vision and strategy for the new unit installs was set up, both were communicated to the rest of the employees at the bank in order to keep staff informed as to the changes occurring at the organization. For the most part, general information regarding an ATM install at a particular site was communicated to all staff members whereas specific details on the process were communicated by phone and in person to the specific individuals who needed the information at that time.

Empowering employees for broad-based actions was the step in the process where the Bank ran in to a bit of trouble as there was a staffing change that took place during this step in the process. The ATM Technical Service Coordinator was dismissed from the organization in 2011 due to several problems and delays that occurred with the installs of the new ATM units and another member of the Electronic Services staff was selected to take over in that person's place in order to facilitate the remaining ATM installs. Due to the delays in the install process, the Electronic Services department manager tasked the new ATM Technical Service Coordinator with coming up with a more streamlined process for future ATM installs so that the process went more smoothly and with minimal delays. This empowered the ATM Technical Service Coordinator to come up with a new vision and strategy for ATM installs, which in turn has cut the entire process down to a few hours as opposed to several days and as such minimizes customer inconvenience.

Due to this change in staffing, each successful ATM install is now demonstrated to the entire organization as a win every time the process goes smoothly. Communicating these short

term wins are not shared outside of the department, however, until after the ATM has been brought online and has performed successful transactions. When one ATM is installed successfully, the Electronic Services department quickly works to install the next replacement ATM to keep the momentum going. Each of these short term wins eventually helps to snowball and keep the entire change process moving along. Subsequent installs also allow those involved to identify problems that may arise with the process quickly so that those issues may be addressed and resolved before they become major problems.

The last part in the change process deals with changing the culture at the branch level in order to make sure the changes with the ATMs as well as branch responsibility for maintaining the ATMs stays consistent and becomes the way things are done at the bank. This is one area that is still in development between the Electronic Services department and the front line staff working at the branch locations. Perhaps one of the easiest ways to ensure that the branch ensures that first line maintenance of the machines is performed is to hold branch staff accountable for the problems that arise when situations occur that require branch staff intervention. Tasks often required of branch staff are to return checks to customers that are not able to be processed in the ATM or to ensure that the machine is stocked with specific supplies such as receipt paper and printer ribbon. In order to ensure that the branch staff is aware of their role when maintaining the ATMs the Electronic Services department will need to be more clear in what is expected of branch staff as well as the consequences for not following through with their assigned tasks.

Talking with Dianne Pellegrini of the Employee Education and Development department at Mascoma Savings Bank gave a unique perspective on ensuring that change sticks within a particular organization. Ms. Pellegrini mentioned in her interview that an easy way to motivate

employees to perform their duties as assigned is to make sure those employees are recognized on a regular basis and that undesirable behavior is corrected before it becomes a problem (Pellegrini, 2011). As an example, an easy way to recognize those employees who remember to perform their assigned tasks would be to thank them each time they performed the task. This would reinforce the desirable behavior as requested by the Electronic Services department.

Correcting undesirable behavior is a bit more of a challenge in that general staffing levels at a branch may come in to play a role in this type of situation. For example, an ATM may require the receipt paper roll be changed out, however the branch may not have the staffing required to send somebody out to the ATM in order to replace the roll of paper. At this point there are typically two options for the Bank: Send a member of the Electronic Services staff to the site to change the paper or to send a service technician to change the paper. Both situations wind up costing the branch money as they are required to pay for travel time to and from the site. This also takes away from branch business as customers may become inconvenienced and look to bank elsewhere when an ATM is not functioning as expected.

Disseminating knowledge throughout the organization is an ongoing process. In her interview, Ms. Pellegrini mentioned that one frequent method for disseminating information within the organization is via e-mail and newsletter (Pellegrini, 2011). Assessing how well the communication was received is just as important as the communication that is sent. At Mascoma Savings Bank, informal surveys seem to be the preferred way of judging how well an idea was communicated as many staff members are on a first name basis and comfortable talking with one another on business related matters. One improvement Mascoma Savings Bank could make to communicating with staff members would be to implement an internal employee website where staff can go and interact in an online environment rather than just over the phone or via e-mail.

Just as individuals have unique personalities, they also have unique preferences with regards to how they prefer to be communicated with.

Involving individuals with the change process as a whole is just as important as the change that will be taking place is. In his book, *The Three Signs of a Miserable Job* (2007), Patrick Lencioni mentions that there are three factors that can make just about any job miserable for employees: Anonymity, irrelevance, and immeasurement. All three of Lencioni's signs of a miserable job can directly relate to Dr. Kotter's demonstration on the importance of involving employees in the change process. Anonymity deals with the simple premise that employees wish to be recognized for their hard work and commitment toward their job and that employees often don't find fulfillment in their work life when they aren't recognized by the people who matter to them (Lencioni, 2007). Irrelevance demonstrates how important it is for employees to realize that their jobs matter and that what he or she does makes the life of somebody else better, whether that person realizes it or not (Lencioni, 2007). Immeasurement deals with the consequences of what can happen when employees can't gauge how well they are doing for themselves as employees who don't recognize the importance of their own work are unlikely to find happiness in their jobs (Lencioni, 2007).

Employees who are engaged in their work and who enjoy their jobs are more likely to go out of their way to help solve problems, which in turn increases the buy in for the entire process and as such keeps the change ball rolling ahead. The people who work for an organization are the ones who ultimately ensure that the change process happens, which is why it is extremely important to make sure that the needs of the employees are taken care of in addition to the needs of the company.

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