

Keeping the Tradition of Competition:

**Interview with William J. Pickens, Senior Vice President of Business Development, Mechanics and Farmers Bank
November 2004, Telephone Interview**

Background (by interviewer)

With the rise in venture capitalism and increased business recruitment in North Carolina, the financial sector has become a much less community-centered industry, giving way to big business and corporate enterprises. With a nationwide trend of large multinational banks such as Bank of America and Wachovia dealing in large multi-million dollar transactions daily, can a small, historically community-centered bank continue to thrive?

Though the nation might be ushering in a new era of large-scale, faceless interaction, one such bank, Mechanics and Farmers, continues to base its operations on a community-centered strategy present since its inception. As the *Hoovers* company profile for this bank notes, "Mechanics and Farmers provides a comprehensive range of financial products and services to residents of North Carolina through nine statewide offices."¹ M&F Bank offers such products as savings and checking accounts, check cards, and certificates of deposit. Its loan products include personal and auto loans, consumer and commercial loans, residential mortgages, and home equity loans and lines of credit. Based in Durham, NC, Mechanics & Farmers Bank was established in 1907 by nine prominent African-American businessmen known for fostering the entrepreneurial spirit and encouraging and financing development in their communities.²

Mr. Pickens, what would you describe as M&F's niche within the banking industry, specifically in North Carolina?

In order to answer that question, you need to understand Mechanics and Farmers as a bank serving two roles. As one of the oldest and more established community banks, Mechanics and Farmers serves not only as a financial institution, but also as a cornerstone for the community. Being that it was one of the first African-American owned banks, many people of color have a lot of pride in this bank as not simply a bank, but as a symbol of tradition and comfort. For many African-Americans in the Raleigh-Durham area over the years, Mechanics and Farmers has been an insurance policy, especially for those of lower socio-economic status; at M&F there has always been a friendly face...

If traditions as these have existed for many years, how has competition arisen? Are there any major competitors within the smaller community banking sphere?

Well, of course, Harrington Bank in Chapel Hill is probably one of the more notable competitors. Douglas Breeden, one of the majority shareholders of Harrington, is also the Dean of Fuqua Business School. There are also Cardinal State Bank and Mutual Community Savings Bank, both in Durham, North Carolina.

So how is it that even amongst your peers, you have managed to stay competitive for such a long time?

The key to our success has been our frugality over the years. As so many of our competitors and other financial institutions have tried to expand their businesses rapidly by taking large corporate deals and excessive loans, we at Mechanics and Farmers make sure that we deal only in the resources that we have. We're not one of the large commercial bank with billions of dollars in assets, but we are a strong financial institution that continually makes smart, more conservative choices with our money.

So if you were to liken the financial sector to the story about the tortoise and the hare, which would you be?

The tortoise; slow and steady wins the race.

However, there are a number of large banks that do tend to go after big corporate deals and make impressively high loans. What other issues seem to affect the competitiveness of M&F?

In terms of competitiveness, that's just it. Many of these large corporate banks have begun to force their way into our sphere of work, taking a lot of the large corporate business because of their attractive loan deals. As a smaller community bank, we don't have enough capital to be able to compete with some of these banks, nor do we have the intention to engage in some of the risky banking strategies that they partake in. In some ways, our size and assets can be our strength and in other ways our weakness.

How is it possible that your capital and size can be both your strength and weakness?

As I said before, because we don't have the financial backing to make large loans and deals, and other large corporate banks do, we sometimes lose out on some of the larger more prominent corporations that inquire about loans. However, due to our size, and history as one of the first African-American banks in the country, the pride and tradition found in that reaches a certain demographic that a number of these big banks can't.

It seems as though traditionally Mechanics and Farmers has had a pretty consistent corporate strategy, but how then have you been able to keep up with the changing trends within the industry?

For one, we've been able to continue to attract a number of the top black students coming out of college within the North Carolina area. As these students become full-time employees, they also bring with them the excellence and know-how from their institutions, keeping us fresh and up-to-date. A few years ago we incorporated internet banking into our array of services to better assist our customers. But even though we now offer electronic banking, our quality of service still remains the same.

Conclusion (by interviewer)

While other financial institutions throughout the state have come and gone, Mechanics and Farmers Bank remains to be one of the premier financial institutions in the Raleigh-Durham region. The longevity of the bank further points to the strength of its pillars of excellence, and truly exemplifies the meaning of a community bank. Ultimately, through continued treatment of the customer as an individual rather than simply a statistic for a business journal, Mechanics and Farmers has risen to become a notable community bank.

¹ Hoover's. *Company Profile: M&F Bancorp*. [downloaded December 1, 2004]. Available at <http://www.hoovers.com>.

² Ibid.