Full Pipelines Solve Problems
by Charles Wendel

This title quotes a client's comment about the businesses he and his colleagues run at a major bank. If you add the word "quality" before pipeline, making the phrase a reality resolves most of the growth and culture problems banks face today.

After decades of bank sales training and untold millions spent on CRM systems, to a great extent something as simple and straightforward as getting more into the top of the funnel (an analog concept in a digital world) provides a major indicator of revenue growth. Sale management systems and sales training programs are worth nothing, if management fails to lever them to increase the pipeline.

Why is seeing more credit and non-credit transactions (more "at bats") critical to revenue growth?

- The more deals going into the funnel, the more likely the result will be closed transactions and increasing revenues (simple, huh?)
- It allows for greater selectivity by the bank, allowing it to maintain better credit quality and avoid stretching loan quality to get a deal; no one deal is critical
- The bank can also avoid cutting rates and fees to "buy" a deal
- More flow reduces cross-silo bank infighting, as bankers look outside for deals rather than focusing on protecting their turf
- Last but not least, the solutions-oriented activities that support building the sales funnel should demonstrate to a client that the bank has a relationship focus, enhancing the customer experience. The pipeline should emphasize winning more business with current customers

Just last week a senior banker at one of our clients said, "We need to see more transactions." And determining why the bank is not seeing more opportunities is a primary issue for management focus. When we look at this question, we find that banks are facing one or more constraints that they need to address:

- *Desk-bound bankers*. These are bankers who focus on administration rather than sales. Oftentimes, they use regulatory and internal compliance requirements as an excuse for not being able to focus on selling.

- *Poor job design*. In many cases bank management fails to provide the support infrastructure necessary to allow the banker to focus on business development. Some banks have addressed this by creating a client or portfolio manager role. That support group concentrates on remaining "inside" to meet various needs (administration, loan renewals, new loans to current clients, etc.), allowing the bankers to focus more time on business generation.

- *Poor relationship with the credit group*. One of the best banks I ever advised benefited from having a Chief Credit Officer who worked at a having a collegial relationship with bankers. Bankers frequently met with him informally to discuss a possible opportunity. They learned from him what the bank's appetite was, and he learned from them market knowledge and good insights into the banker's client needs. Unfortunately, this type of credit officer is too rare. I often hear credit people talk about bankers as if they are small children who play with matches. Some credit people act superior to the bankers, and some bankers lack an understanding of the concerns that credit must address. Both serve as recipes for failure.

- *Poor upfront guidance.* Frequently, bankers operate without a good understanding of what the bank will do. They may view each business loan as a new adventure, one in which they cannot know the outcome. This can lead to their frustration and, even worse, client disappointment. In one instance we know some bankers have decided not to present anything other than the simplest deals, those with a certainty to be approved. Their wariness causes their manager to believe his bank is not seeing enough bankable opportunities: "We do deals at this bank that the bankers do not think we will do." He believes that some bankers are censuring themselves and deliberately limiting the number of opportunities they bring in.

- *No regular portfolio reviews*. The best banks have established a culture in which substantial deal flow is the norm. But, first, processes may need to be in place as a foundation for a "funnel culture." Monthly reviews of current portfolios and assessing opportunities within them help to build that culture.

- *Poor Team Leaders*. Team Leaders need to act as sale mentors and, when necessary, push for more activity. However, they often fall into the role of bureaucrat rather than sales facilitator. Many need to roll up their sleeves and, frankly, push their bankers more aggressively.

- *Insufficient incentive compensation*. One banker told me that he did not pursue more loan opportunities because his incentive compensation depended largely on group and not personal performance. He actually said it was not worth his effort. Of course his attitude alone provides grounds for dismissal, but he did make the point that compensation may need to be better aligned to get improved results.

Begin by finding out why the sales funnel (whether for deposits, loans, or other areas) is not as full as it should be. Then, address the key issues. When accomplished, the results will be impressive. This is as close to a "secret sauce" for success that I can offer.