

Is Small Business a Way Station or a Career?

by Charles Wendel

Just this week I was trying to reach the head of a regional bank's small business group. He emailed back that he had switched jobs and I should contact his newly appointed successor. At the recent BAI conference one banker recounted that during his time at a big bank the head of small business had changed multiple times, resulting in a lack of continuity and communicating poor commitment to the area. At yet another regional bank no one person is in directly in charge of small business; rather multiple field heads guide the activity in their regions. As you would guess, this can lead to inconsistency and dramatically different levels of interest in the small business space.

Too often, the small business and business banking areas within banks serve as a way station for managers and bankers on their way to other areas of the bank whether it be to the middle market, corporate banking, auto finance, or elsewhere. If a bank expects to succeed in business banking, it needs consistency on its approach and its people. Yet many banks fail to follow this fundamental rule of engagement. Why?

Management's support and interest in small business is only skin deep. Yes, most banks say they love small businesses, but their actions belie that view. Success in small business requires a corporate commitment and a multi-year view of the segment and how to achieve individual client profitability. It also requires a household-based rather than product sales focus. As years of newsletters and client project have demonstrated, generating strong returns in this space requires excellence in execution. In contrast many bank managers pursue the latest thing (CRM, wealth management, even a new core system) that they think can keep top management and the Board quiet and perhaps lead to improved short-term performance.

A handful of examples exist in which both regional and even the largest banks have kept on a steady course and established themselves in the small business space. Almost without exception they are the leaders in their marketplace and have developed a reputation that also serves as a barrier to entry for others. But, these banks are the exception rather than the rule.

Other areas provide bankers with greater prestige and put them higher in the internal bank caste system. Some bank businesses involve more prestige and even glamor than others. For example, Investment Bankers certainly view themselves as a breed apart, but retail and small business bankers...not so much. Even though small business can play a critical role in deposit generation, client acquisition, community relations and other areas, to paraphrase the late Rodney Dangerfield, too often "it don't get no respect."

Other areas pay more. This may be the ultimate factor leading to turnover. At most of the banks I have worked with middle market managers and bankers can generate significantly higher compensation than retail or business bankers, including top management. To some degree a linkage to higher per account revenue drives this differentiation. However, middle market, corporate, and investment banking business units have done a great job internally of communicating the view that higher pay is essential to retain their bankers. Small business and retail often lacks in the internal advocacy wars.

Small business can be a dumping ground for mediocre performers. One unintended consequence is that it encourages top performers to leave the group. More than once I have seen indecisive or slow moving management put people in a small business group or allow them to remain in it when they should be out of the bank. This situation kills team esprit and undermines the enthusiasm of the best bankers. Who wants to work next to or for a loser? Small business can and should be a mecca for the best bankers, those who care about impacting the customer experience and value true relationship banking.

During 20+ years of consulting several of the largest banks have changed their small business heads on a close to annual basis. At a conference two years ago I heard the new head of the business group at a top five bank talk about his growth plans. My immediate reaction was, "I wonder how long he will be there?" And, true to form he was out in less than 24 months, having accomplished...??

Only senior management can set into motion the steps that will result in the level of consistency and strong employee force that will distinguish their bank in small business:

- Position small business as an attractive long-term career destination.
- Attract top quality internal personnel
- Keep employees in the group for five years or more (make it economically attractive for them to stay)
- But, quickly move out subpar performers
- And, most important if the above is to work, operate small business as a key line for the bank rather than an afterthought in which the bank participates due to the demands of regulators and the media