The 21st Century Relationship Manager
by Charles Wendel

What are some of the likely characteristics of the banking world in which Relationship Managers (RMs) will operate over the next three-five years?

- Increased customer self service
- Greater customer knowledge and sophistication that often rivals the banker's capabilities
- Increased competition from bank and non-bank specialty providers in areas including lending, payments, international transactions, and others
- Greater focus on digital connectivity
- Continued disruption, in particular, to small business and middle market lending as non-bank options become part of the the permanent landscape (after an industry shake out that may now be happening)
- Internally, the continued strength of various staff groups, including compliance and internal audit, as banks are forced to respond to sometimes ill-conceived regulatory requirements
- Expectations that the RM will increase revenues year over year, both by taking on more accounts and increasing per account sales

Perhaps most significant, each of these factors, among others, needs to result in a fundamental rethinking of the RMs' role and responsibilities. The old model demands reconsideration and at some banks should be thrown pout.

Twenty or more years ago, the RM was king of the middle market, able to determine whether and when other internal bank groups would be able to approach *his* clients. The RM often resisted introducing other bank personnel: in some instances he expressed concerned about the quality of the internal bank offer (or fellow banker) harming the relationship he had built up; in at least a few cases, the RM was more concerned about control and preserving his leadership role with the client, what some might view as a focus on his own job preservation. Well over ten years ago, Dick Kovacevich of Wells Fargo told his bankers that they needed to get over that concern and sell the whole bank in order to meet customer needs. Still, at many banks RM protectiveness remains an issue as banks struggle to build increased wallet share, an elusive goal.

Today, a growing gap exists between the traditional approach to relationship management and the changes a number of banks are introducing. Some banks are deliberately reducing the importance of the RM while others maintain their position as the central focus of the banking relationship. In the face of earnings pressures, a technology revolution, intense competition, and a changing bank workforce neither blowing up the RM model nor clinging to an outmoded approach makes sense.

How should the RM job change and how should it remain the same?

The RM has to show value added to his clients and the bank. He can demonstrate that in a number of ways:

- For many clients, lending remains product number one. In emasculating the RMs credit authority, banks risk undercutting the RMs perceived value to clients. When I was part of a three-signature approval team, I knew not only the credit requirements of a client, but also understood his cash flow, business mix, and internal business issues. Frankly, back when I was a commercial lender the bank lacked anything like the products and sales management process that exists today. Today's complexity means that teaming is not an option.

- While above just having stressed the need for building wallet share and sales teaming, one of the most successful banks I know breaks those suggested rules. One of the top people at that bank said, "We would never tell our bankers to try to sell a particular product." In fact even management would agree that the non-lending products they offer are largely mediocre. They succeed the old fashioned way, not with RM credit authority (that is largely centralized) or industry specialist knowledge but with a deep and long-term relationship approach. This bank hires team leaders and teams that have operated in their geographies for years. They are not passing through their job on the way to another career but rather they view themselves as businessmen managing a portfolio of clients. To some degree they resemble financial analysts (brokers) more than bankers. This approach puts the bank at risk of losing the clients if the RM departs.

Compensation plays a key role in mitigating this problem and in generating more revenues per account. Some banks are mired in largely out-of-date practices in which the majority of compensation is salary based and a relatively minor bonus has a large subjective component. I will ever forget the senior RM who told me that he had no intention of putting in any additional time or effort to sell more despite his bank's emphasis on growth. At his bank his bonus depended upon the bank's performance, the overall unit's performance, and, finally, his personal performance. Whether he did well or not resulted in a very insignificant difference that was not worth his time.

Banks face only increasingly difficulty in attracting and retaining top performers. While culture and work environment influence the job decisions of many employees, banks should hope that one of the factors driving RM is money and selling more to make more. This philosophy goes against the grain of many banks, but banks need to revisit an approach better geared to a different era. At the strong RM bank, management allows the banker to create an annuity-like business that serves as "velvet handcuffs" for a well performing banker.

- The effective use of technology and teaming can dramatically change the RMs effectiveness and role and result in better client service. Communications and responsiveness should be faster than ever; unfortunately, many clients think banks have gone in the opposite direction. Being in front of the client with proactive new ideas can distinguish an RM, yet few travel down this path. Bankers need to be intensely organized today. They can easily fall into the compliance trap or, alternatively, organize to push against it. By compliance trap I mean the myriad of items that come across a banker's desk: forms to fill out, information requests (often the same or similar information requested by multiple internal units), etc. These were the types of annoying requirements I used to spend as little time as possible on when I was a banker; too often now bankers view form filling as their job, even though it offers zero client value.

So how will RMs prove their value? Of course no one answer exists. They can be credit or other key product experts, relationship focused, industry specialists, solutions providers, or pursue other approaches that distinguish them with their clients. One thing they cannot be is reactive, paper pushers who stay behind their desks fielding internal issues rather than spending the majority of their time with clients.