Why Things Don't Change in Business Banking
by Charles Wendel

Past newsletters (and many client projects) have focused extensively on the attractiveness of the small business market and detailed the actions required to succeed in that space. Banks need to assess and sometimes make changes in areas including segmentation, marketing, personnel, and compensation. But, detailing what needs to be done for success with small businesses and how to do so presents a much lesser challenge than actually getting things done.

Why it is so difficult to implement changes even when those changes can result in higher bank income, lower expenses, and improved customer service for the bank's customers?

Examples of the required actions banks should consider to build their small business segment often involve:

Consistency in planning and the sales process. The most successful banks we know operate with a degree of discipline and rigor that sets them apart from others related both to sales and service. One key example involves account planning. Every banker should complete an account plan for his major accounts or prospects. This can be a checklist rather than a lengthy doc, but it needs to reflect the banker's analysis of opportunities and include the input of colleagues from areas such as Treasury Management. While this is basic, the current practice at many banks indicates that planning is an option that bankers can decide to conduct or not. Even those banks that require plans often fail to review them in detail to ensure that opportunities are being uncovered and plans are becoming actions. Basic execution does not occur.

Planning may be even more important going forward to demonstrate that the cross selling your bank is attempting is aligned with the needs of the customer. Banks cannot afford to pull back from cross sell but, equally, they cannot afford the reputation risk involved in selling inappropriate products to customers.

Make bankers bankers not administrators. Remarkably, many well paid bankers spend the majority of their time acting as administrators, performing tasks that lower-cost employees could complete while freeing up the bankers' time for higher-value activities. Management should put in the infrastructure so that their bankers focus on more client-oriented activities and not be stuck behind desks. Again, Team leaders and others need to ensure that the 30-70% bankers spend on admin and tasks that others can perform drops to 10-20%. This change allows for a significant productivity boost and is a key to revenue growth.

Personnel. With some clients analysis shows that the performance of the majority of a bank's business bankers are underperforming versus goals. While coaching and training may be an appropriate initial response, banks need to face up to the fact they need to upgrade and replace mediocre performers. Otherwise, they are likely condemning themselves to poor results, but banks continue to stick with the wrong people.

Compensation. We find that comp is often misaligned with group goals. Banks need to change what they pay for and how much they pay based upon their priorities. It may be a cliché to say that people do what they are paid to do, but it is still accurate. Yet, incentives frequently fail to support strategy. In the recent case of Wells Fargo, incentives can cause unethical or even criminal action.

Culture development. Cultures do not just happen. Management and staff create the culture. At one bank we know a culture of distrust has been allowed to build up between the line and the credit group. At another bank, the line officers keep certain product groups away from what they consider *their* (not the bank's) customers. Banks need to operate within a culture of respect, cooperation, and collegiality, not friction.

Nothing outlined above breaks new directions or should even be a surprise to managers. If issues related to sales management, personnel, compensation, culture seem critical and are readily apparent, why does management fail to act?

Managers do not want to make tough decisions. Some bankers and Team Leaders push bank or simply whine, operating with a philosophy that has served many of them well: "This too shall pass." Managers fold or delay to avoid decisions that their employees do not like.

Some banks doubt they can attract better employees. One banker told me he was keeping his inadequate present team because he did not think his bank could hire better players, an indictment of his own institution.

Small business fails to get the top management attention it deserves. Without a committed leader, the small business effort will go nowhere. At many banks being part of the small business group, whether as a banker or an executive, is a way station not a stopping point for career success. Why? Bigger clients often translate to bigger salary, compensation, and internal prestige. Why rock the boat when some managers are just using the boat to get to what they view as a better place.

Today, fear overcomes greed. Bankers often are less focused on exploiting growth opportunities then at avoiding issues related to compliance, regulators, or internal groups such as HR. Many view the pain related to change as greater than just sliding along.

Corporate AHDH often exists. Some banks simply have short attention spans, lacking the ability to follow through and execute on a day-to-day basis. Enthusiasm about small business gives way to enthusiasm about wealth management, or mobile banking, or some other shiny new area. Easier to focus on the new rather than slogging through the issues related to execution.

Of course exceptions exist and there are a number of top performing banks that have demonstrated the ability to keep a strong focus on the prize, the prize being a relationship focus aimed at small businesses that distinguishes their bank from others. But, most banks condemn themselves to mediocre performance with some blaming the small business segment rather than themselves for their results.