

*As banks deploy more small business specialists across their branch networks, pressure is rising to make effective use of this expensive talent.*

## Branch Small Business Specialists: No Slam Dunk

BY LES DINKIN

**S**mall business specialists are playing a growing role within the branch as institutions push to revitalize small business banking in a tentative economy. But many banks still face a variety of issues in making effective use of this expensive talent.

Working in tandem with the branch sales team, dedicated specialists can provide the extra capacity, skill and responsiveness needed to more fully serve small businesses and win profitable market share. Bank of America Corp. and Citigroup both have announced plans to hire more small business bankers, underscoring their influence.

The upside potential from such expansion is clearly reflected in a recent Novantas survey of 20 major U.S. banking companies and the top five Canadian banks. These banks generally reported stronger results when dedicated specialists were used as part of their branch

and small business sales programs. This includes superior performance in deposit growth; new customer acquisition; new checking accounts; and the cross-sale of consumer products to business owners and their households.

The catch, however, is that such results are by no means guaranteed. There is a severe performance skew among small business specialists, with some teams delivering more than double or triple the average results and others lagging to the point that they are barely paying for themselves.

In large measure, such disparities trace back to inconsistent management practices. Often, for example, specialists get lost in the shuffle between the retail and commercial banking teams, which tend to view small business as secondary to their core activities. Other banks shy away from the complexity of small business banking and scrimp on the basics, including tailored products and services and market and customer analytics. Elsewhere, regional teams are mostly left to their own devices, with little central discipline, structure and monitoring of the small business sales effort.

The upshot is that in many cases, small business specialists are deployed without an adequate foundation of organizational support – even things that may seem obvious.

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## CUSTOMER VIEWPOINT

Winning banks conduct careful market and customer analysis before assigning specialists. It is important to deploy small business bankers in line with priority markets, as defined in terms of sales headroom with major products, customers and prospects. They also strike the right balance in assigning the number of branches that each will cover. An additional challenge is providing the right blend of industry expertise in various locales to meet target customer needs.

It is also important to serve the household financial needs of the small business owner whenever possible. Top-performing specialists are trained, equipped and incented to do this. But they are in the minority. In fact, half of the respondents to the Novantas small business survey said they were not yet able to track the consumer banking activities of their small business customers. This type of information vacuum limits the value of the whole marketing and sales effort, including specialist performance.

Then at the ground level, there is more work to be done in coordinating the efforts of small business specialists with branch personnel. Often, for example, branch managers and platform staff have the first conversation with new customers, but then relationship anchoring and expansion is best handled through smooth handoffs to the specialists.

Branch/specialist coordination requires intensive management effort, however, and a highly collaborative atmosphere is needed to bring sales goals to fruition. Also there are continuing challenges in providing the level of day-to-day branch service needed to maintain the customer responsiveness and rapport built by the specialists.

Sales goals and incentives present another management challenge. In many cases today, sales goals are not yet based on a careful assessment of local market potential, including deposits and loans and the breakout between customer relationship expansion and new customer acquisition. Instead, many banks still fall back on system-wide goals, which inevitably prove either too high or low for individual markets.

Turning to incentives, as with retail banking overall, small business sales incentives still tend to center on the “widget count,” or product sales volume. Recognizing the higher value and complexity of small business accounts, winning banks are focusing on customer lifetime value, and recasting sale incentives accordingly.

For example, the small business owner’s household checking account relationship offers high potential value, and small business bankers should be appropriately incented to advance this product with clients. From a larger perspective, our research indicates that small business owners can constitute the most valuable type of retail banking relationship when they consolidate their personal and business accounts at one institution.

Clearly, methodical analysis and preparation will be critical in unlocking the full potential of small business bankers and justifying their expense.

There is a distinct risk that the performance skews currently seen among small business specialists may actually increase over the next few years, with some banks falling far behind in the market. This is a critical issue at a time when the economy remains tight and small business banking comprises from one-fifth to one-third of total retail banking pretax income.

Alert retail and small business management teams already are working on specialist alignment with markets, customers, branches and goals and incentives. Others that focus more simply on expanding “sales capacity” may not gain full branch sales traction with their small business specialist programs.

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