Strategic Change that Works for Banking
A Case for Accelerating Sales & Revenue Growth

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Overview

After visiting a number of his company’s banking centers, Sam, the retail banking division executive is dissatisfied with what he sees. Core deposit growth has flattened and in some cases, deposits are declining. Waiting lines are long; customers are not warmly greeted by banking center staff; litter is scattered around the building; staff turnover is high; the staff’s appearance is unkempt. One Monday he holds a teleconference with the regional retail managers and says, “Fix it – now.”

Elizabeth is Sam’s counterpart at a competing bank. She realizes that her bank’s retail network has similar performance issues as Sam’s bank. Elizabeth charges a task force with transforming the retail network to achieve the high quality sales and service environment she envisions. Elizabeth clearly articulates the results she wants achieved, by date certain, and assigns the taskforce the responsibility of determining the “what, why, how, where, who, and when” for achieving those results. Elizabeth remains active in reviewing the plans made, actions taken, and the time schedule for achieving those results.

Though the vignettes above are overly simplified, which executive is more likely to be successful in achieving their desired outcome; in a sustainable, uniform, and timely manner across the retail franchise? Sam is practicing “blind trust” and, in effect, counting on providence for success. Elizabeth may not be discounting providence, but she clearly is taking disciplined, measured actions to achieve her goals.

Nuts and Bolts

Bank executives often think of change as something that can be finessed rather than something that must be systematically implemented. If change could be effected by “finesse,” more vision statements and communication might work.

Rather, change is about the structuring the basic “nuts and bolts” of the bank. The nuts and bolts are the specific, structured steps and processes that answer the “what’s, why’s, how’s, where’s, who’s, and when’s” of “getting it done.”

If a bank is to be successful in moving forward with a new strategy - integrating an acquisition to achieve anticipated results, rolling-out a new retail network sales and service program, or installing new teller platform - structured change is required. Elizabeth’s bank is on the path toward structured, successful change.

The consequence of blind trust is failure to achieve the desired outcome...
Structured change includes five kinds of “nuts and bolts”:

1. **Developing and communicating a vision of how the organization should look after the change is completed;**
2. **Altering (restructuring) business processes to support the new vision;**
3. **Altering the financial institution’s facilities, equipment & technology to enable new business processes;**
4. **Altering performance management systems (performance objectives, training, & compensation) to support and reinforce new business processes;**
5. **Developing and managing action plans to bring it all together.**

Structured change should be a precise process that leaves little to chance. Whether changing mindsets or creating a new retail branch strategy, executives face complex management challenges: both managers and associates need more than just a description of the new strategic vision and the associated objectives. They need plans, resources, schedules, budgets, communication channels and all the other details of a well-organized change initiative.

Knowing what to do and even how to do it are the easy parts. But there is a big difference between knowing and doing. The “doing” is the hardest part - plans, schedules, budgets and the other machinery of implementation must be developed and utilized. However, this machinery will be ineffective unless leaders and managers take responsibility and use their authority to insure the initiative is accomplished.

### Successful Change Is Not Optional.

After years of leading and observing others lead change, Endeavor has found that the most common reason a change initiative fails is because executives and managers do not recognize the difference between “adoption” and deployment and they end up letting the change be “optional.” With the adoption approach, a new system is rolled out and users are invited to adopt the new approach. This is appropriate in some situations where their new approach may not be value-added in all circumstances. With mission critical, strategic changes, though, “deployment” is necessary. With this approach the change is essentially mandatory with local customization allowed only within certain limits. Leaders must stick to their guns and hold people accountable for the actions required for successful change. Relationship managers either profile customer needs or they do not. Customer relationship management databases are either used or they are not. And the change leader makes the decision.
And, most importantly, either the performance contract (job requirements and standards) for each manager and employee impacted by the change has been altered and confirmed with each individual!"

Strategic thinking, design, and structured implementation are intertwined. All three are required for successful change.

Change is no longer the exception; change is now the rule. As with almost any organization, financial institutions must change to get ahead of the competition, to better serve customers, and/or to comply with regulatory decrees. Since change is now the rule, financial institutions must get “very good at it.” The problem is that most institutions are not good at change . . . they “muddle through” at best. Muddling, with its inevitable confusion, frustration, and lost productivity (and frequently lost customers), is no longer tolerable. The desired changes must be planned, and then implemented - on target, on time, and on budget - with as much precision as in opening a new account.

An Example:
Cross-selling Commercial Banking and Wealth Management

Structured change is about altering the basic “nuts and bolts” of an organization to make the envisioned change a reality. When a structured change approach is employed, the likelihood of achieving a bank’s expected results are significantly enhanced. What follows is an example of how a structure change approach can be used to increase bank revenue and profitability by increasing cross-sales between commercial banking and wealth management lines of business or divisions.

I. Vision.

The CEO recognizes that the margins are tight and acquisition opportunities are rare and expensive. He knows the bank’s organic growth is slowing. He firmly believes that his bankers have fully served the financial needs of the bank’s customers and that money is being left on the table because they are not fully using the opportunities directly in front of them: their existing customers.

Since business ownership is the greatest source of wealth in this country, he is convinced that commercial banking and wealth management should have a natural affinity and that those divisions are not fully leveraging their capabilities and resources. Business owners clearly have commercial banking needs for their enterprise and wealth management needs for themselves and their families.
To enhance the bank’s balance sheet and income statement, he wants to strike first by dramatically improving cross sales between commercial banking relationship managers (CBRM) and wealth management relationship managers (WMRM).

The CEO envisions a new sales culture. It is a culture that has broken through the bank’s parochial mind-set and division “silos.” He sees an atmosphere where division executives and relationship managers do not “fight” over who “owns” the customer. Rather, it is a culture where CBRMs and WMRMs work as a team to insure that all of the bank’s relevant products and services (P&S) are made available to customers.

He is confident that a cross-sales culture on steroids would produce handsome financial results for shareholders. Likewise, those division executives, managers, and customer relationship managers who contributed to that success would also be rewarded.

Succinctly put, the CEO envisions that every current and prospective business owner-customer will be reviewed by a multidisciplinary DBRM/WMRM team to determine if those prospects and customers have financial needs that could be jointly satisfied by the bank.

The CEO also knows the bank has tried new sales approaches before – and little changed. This time, the CEO will test a “trial-balloon” vision with affected associates to ensure the vision is tested: that it is clear, compelling, and achievable. He must make sure the new sales vision and strategy are transformed from “his” to “theirs.”

Cross-sales initiatives have been rolled out before, but soon after the fanfare it was business (sales) as usual. This time he will orchestrate the new approach as a full symphony, as a major project that would be meticulously planned and scripted, rehearsed and executed.

II. Business Processes.

Sales are comprised of a number of business processes including identification of leads toward target customers; customer needs identification; provision of solid product and service (P&S) solutions that satisfy customer needs; and solution (customer service) delivery.

Sales management also has a number of processes: goal development and planning; recruitment, training, development, and coaching of staff; procurement of appropriate tools and resources; and monitoring and management of performance and results, including performance compensation. Other processes come in to play: decisions on credit quality and the extension of credit; marketing; financial (profitability analysis); regulatory compliance and other risk management and human resources management issues, to name a few.

In order for sales and revenue to increase profitability in the new culture, all of these processes must be reviewed to determine if they must be altered and, if so, how.
example of a process that will need to change is customer needs identification. Few bankers have more than superficial knowledge of the P&S offered by other divisions. It is even rarer when relationship managers discipline themselves to consistently and methodically review and analyze customers to identify needs that other business units might be able to satisfy.

In the example of a needs assessment process review, one change that might be invoked is a semi-annual, multidiscipline review of each customer. A “team” of relationship managers from both divisions would schedule enough reviews on a weekly basis so that all customers are reviewed and sales & service action plans developed to ensure all customers are assessed during the first six months.

A similar, multidiscipline review process must be developed for new prospects. It’s ridiculous to think the new sales/cross-sales vision requires that all bank P&S be offered simultaneously. But it is a requirement that likely P&S be discussed and a plan developed to introduce them in an appropriate, systematic manner.

III. Facilities, Equipment, and Technology (FET).

The CEO’s vision requires new sales teamwork. Successful teams require both skills, confidence, and trust. Training, addressed below, can help in building skills. Few things can promote confidence and trust as much as familiarity. Proximity goes a long way in promoting familiarity. If possible, new teams will relocate to share office space and in so doing promote the exchange of ideas, develop camaraderie, and build trust. If co-location is impracticable, enhanced communication tools will be provided – video conferencing, on-line meetings, document sharing, collaboration spaces, etc.

Relationship profitability modeling is an important tool. However, tools are of no use if they remain in the toolbox or are used for the wrong job. If profitability models are used by bankers only when credit decisions are made, and the follow-up sales actions required to improve profitability are not carried out, then profitability tools have merely provided “fun facts.”

The “tools” of selling: office space; marketing material; automated customer relationship management systems; profitability models; and the like, must be introduced or altered and be used correctly for the new sales culture to be successful.

IV. Performance Management Systems.

The new sales culture and cross-selling approach will not be realized unless those associates required to make it work (e.g., business unit managers, relationship managers, and others affecting sales), know what they are required to do, know how to do it and actually do it.
Position responsibilities must be articulated. If new skills are required, the necessary training, development, and transfer of knowledge must be planned for and provided.

New goals must be established. Division executives and managers must have new, specific revenue and profitability goals tied to deeper sales penetration of the existing customer base.

The new customer relationship management teams will have goals tied to the accomplishment of the multidiscipline review and the actual deepening of customer penetration rates and sales results.

All activities or groupings of activities required for success must be transformed into performance standards and made measurable. Associates at all levels, from division executives to relationship managers, must be held to the new performance standard. That is, expectations must be established and there must be consequences when expectations are not met – particularly when it comes to following the new/altered processes, using the new tools as intended, and so on.

Compensation, especially incentive compensation, must change. Before the CEO unveiled the new sales strategy, compensation was paid for achieving the old standards. Compensation was paid chiefly for achieving the division’s own objectives. Only marginal incentive payments were paid for cross-sells.

Compensation for achieving the “old” vision must be scrapped. Financial analysis reveals there is greater profitability through deeper sales penetration of existing customers than for acquisition of new customers. Total incentive payout, as a percent of total sales, can remain the same. However, the incentive system should be restructured to pay marginal compensation for single sales. Incentives paid for sales of additional P&S, to the more profitable existing customers, will be leveraged and enhanced.

Experience indicates the CEO will find resistance to changes in performance standards and compensation.

When the CEO:
- Communicates a clear, compelling vision of a new sales culture and cross-selling approach;
- Describes the benefits that both customers and performing associates would receive when successful;
- Insures sales processes and FET are restructured so the new strategy can be executed; and
- Holds executives and managers accountable for implementation...

*the new sales strategy can be achieved.*
If the bank loaned $20 million to a customer for construction of a new building, the bank would expect and the loan documents may even require, that the contractor follow all of the building plans and the specifications. The builder could not pick and choose to do only the steps he liked. If he did, the building might not meet code, be unsafe and unusable.

So it is with changing the sales approach. Associates cannot pick and choose the steps they like and want to complete. All of the steps must be followed as planned if success is to be achieved.

The CEO must meet One-On-One with the commercial banking and wealth management division executives to get their commitment to executing the required changes and achieving the new objectives. They may not pick and choose. When the meeting ends, the CEO looks the executive in the eye and shakes his/her hand, as a sign of honor and commitment to the new “contract.”

Similarly, One-On-One meetings, between “boss” and subordinate must take place, down throughout the ranks, with all affected associates. As with the executives, the meetings are to insure understanding of new job requirements, affirm commitment, and end with a handshake.

V. Call to Action

Success in creating a new sales culture and cross-selling approach requires more than the CEO saying, “Let’s get it done.” Even if associates understand the new strategy, month-to-month and week-to-week action plans, with time schedules, must be developed to guide them through implementation (steps I-IV above). Simply put, individuals need to know what they are supposed to do on “Monday morning.”

As in the example, changing a bank’s sales and cross-selling culture is detailed, precise hard work. Bank executives who rely on a typical vision statement and a high-level review of change plans are betting that an intuitive, seat of the pants approach will work and that their bank is different from all the other banks that have tried and failed over the past 30 years or so to make this relaxed approach work. And they will most likely lose the bet and the bank is at stake. In effect, they are betting the bank.
About Endeavor

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- Technology Deployment
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The firm’s 40 year heritage has produced a substantial portfolio of proven methodologies, deep operational insight and broad industry experience. This experience enables our team to quickly understand the dynamics of client companies and markets. Endeavor’s clients span the globe and are typically leaders in their industry.

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