

Fostering a Commercial Banking Environment

Q: How do you instill a commercial banking culture within a financial institution?

A: A commercial banking culture requires a shift in mentality away from a product focus and toward a customer focus. Business development efforts within the financial institution are focused on establishing a complete customer relationship not only with businesses, but with the owners, officers, and employees of the businesses. A shift toward this customer focus and away from a product focus may require personnel changes and hiring expertise. Because it is a culture that expects business development and sales efforts from all bank personnel, compensation plans will need to be restructured.

Cultural changes, of any kind, must start at the top of an organization. The executive officers and the board of directors must spearhead the effort to shift away from a product focus and toward a customer focus. A financial institution must listen to and understand the needs of its business customer and provide the financial services that are best suited for the business. The financial institution must work to build a relationship with the customer instead of simply trying to push a product that may not fit the customer's needs.

To truly build a relationship with its business customer, the financial institution must go beyond the needs of the business, as business owners, officers, and employees have financial needs as well. Work to satisfy the financial services needs of the

individuals within that business. But don't stop there: Utilize the additional relationships built with those individuals as a springboard to gain customers, who are the acquaintances, friends, neighbors, and relatives of the business. However, these additional customers developed through relationships cannot be realized without providing sufficient customer service. If the customers are not satisfied, they will not recommend you to those additional relationships, but if they are satisfied, referrals will be easier to cultivate.

Once the shift to this relationship model has been made, the financial institution will probably need to hire some expertise, particularly for commercial lending and deposits. Once the bank obtains some personnel that already have the commercial banking culture instilled within them, it should be easier to have the culture permeate the organization. Utilize those people to train existing staff. Contemplate joint sales presentations that team up an experienced commercial banker with a promising junior staff member. Changes may also need to be made in existing staff. Branch managers that are operations-focused may need to be replaced with people who will be focused on business development. Job title changes also need to be considered such as changing branch managers to business development officers.

As the financial institution obtains

the right people, it should also implement incentive compensation packages. Demonstrate to the staff that the bank is committed to success and that performance will be rewarded. Sales expectations and goals should be clearly communicated. These goals should be part of the annual strategic planning process. The performance of those goals should then be monitored throughout the year. Make sure that performance evaluations are conducted at least annually so that expectations are well communicated and performance, or lack thereof, is also conveyed.

A commercial banking culture focuses on providing the customer with multiple services and is continually striving to get more and more of the customer's banking relationship. It is different from a transaction, or order-taking mentality, as it involves managing customer relationships. A commercial banking culture demands active solicitation of new clients and cross-selling of existing clients. The biggest overall change is that the bank needs to be more proactive in its approach to developing business. Keep in mind throughout all of this that banking is very much a people business. **■**

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