Trusted Advisors in the Small Business World

By Nicholas T. Miller

Three approaches to differentiating and forging deeper client relationships.

I'm a small business owner. I'll never forget a meeting with my stockbroker of several years, the guy I called to execute trades. We were meeting for the routine year-end discussion of family retirement accounts and portfolio performance.

Once he'd arrived, settled and confirmed the focus of our meeting, he asked, "How is your business doing?" I answered. He pursued: What was I doing to grow my revenues? What was I doing to manage my expenses? What was my largest expense item? I told him, my office manager. He asked, "How busy is she? Are you fully utilizing her?" When I answered, "no," he said, "I work with many virtual companies. One of the trends I'm seeing is that they're moving to virtual, remote office managers and assistants, small retainer, pay by the hour. Seems like that might relieve some of the pressure you're feeling." I felt surprised. Delighted. Grateful for his perspective. Our discussion boosted him a notch in my eyes.

This conversation and its effect—delight, surprise, differentiation and value—are at the heart of discussion about "trusted advisor" relationships in small business banking. The challenge in this discussion concerns trade-offs between the cost of providing coverage, information and service on the one hand and the value of differentiation that leads to higher wallet share, customer retention and referrals on the other.

In this article, I'll discuss strategic and tactical decisions needed to address this challenge in small business banking groups and share three approaches to differentiating and forging deeper client relationships.

The Challenge

During the last four to seven years, as superregional, regional and community banks have understood the potential profit in small business households, they have hired, trained and deployed thousands of small business banking salespeople. They have trained many more thousands of branch staff to focus on microbusinesses. They have developed and standardized "made-for-small business" products; created multiple integrated access points; and broadened product lines to include investments, insurance and leasing. They have invested thousands of hours and millions of dollars in sales training in an effort to create sales cultures that would earn them more than their fair share of small business household revenues.

Most banks and bankers … often fall short of expectations to deliver a consistent, high-quality sales experience.

While much progress has been made, from both client and bank perspectives, products don't differentiate for long, and sales cultures are slow to develop.

- Novantas's *StratShop*[sm] comprehensive sales interaction assessments of business bankers at U.S. and Canadian banks indicate that most banks and bankers, even at the most effective small business–focused banks, often fall short of expectations to deliver a consistent, high-quality

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sales experience. These shortfalls include basic sales hygiene factors such as not talking about potential services other than credit and checking, not discussing the owner's personal situation and the lack of follow-ups after a first meeting. Clients continue to express difficulty differentiating one bank from another.

- Research from multiple banks and consulting firms indicates that most banks' small business customers can't differentiate one bank from another on any significant basis other than locations and loan interest rates.
- Greenwich Associates surveys of small businesses and middle-market companies indicate that while approximately two-thirds of small businesses and middle-market companies place high importance on having a banker they consider to be a trusted advisor, bankers rank well behind accountants and commercial insurance brokers when small business owners rate their performance. Fifty-one percent of Greenwich's surveyed small businesses rate bankers excellent or above average as trusted advisors compared with 79 percent for accountants and 60 percent for commercial insurance brokers.

Since pressure for earnings and market share growth continues, small business leaders are looking for new ways to differentiate themselves, one from another. Since two-thirds of small businesses place high importance on having a banker they consider to be a trusted advisor, the question is: Given the relatively small wallet size and the relatively large number of small businesses, the relative inexperience of small business banking sales representatives, the "fact" that bank loan contracts undermine customers' willingness to trust or take advice from banks and the condition that most banks have not fully mastered "sales culture" or building selling organizations, what's an appropriate "trusted advisor" differentiation model for the small business market?

Define Terms

What is an advisor? What's the difference between "effective salespeople" and "trusted advisors"?

Effective, disciplined, focused consultative salespeople ask questions that reveal their clients' goals and clarify needs that can be satisfied through the features and benefits of their products and services. "Partners/advisors" develop, in addition, deep understanding of their customers' businesses and ask questions to uncover, clarify and frame business issues well beyond product features and benefits. The emerging literature on trusted advisors suggests that clients expect and value the following from their advisors:

- Shares information about current market conditions, trends and industry best practices.
- Provides perspective on issues we'll need to handle.
- Brings us ideas, stimulates our thinking, helps us see angles we didn't see before.
- Shows us options and alternatives.
- Provides network connections.
- Boosts our probability of success through their experience.
- Simplifies what seems complex. Helps us with our thinking process.

Define the Path

Banks or sales teams wanting to move closer to this ideal should address three foundations to developing trusting relationships: strategy, infrastructure and execution.

Strategy

A good place to begin thinking about opportunity and strategy is with customers, particularly customers in a bank's primary target segments and high-value customer and prospect ranks. The Business Banking Board suggests that only 41 percent of small businesses believe they receive good counsel from their main banking contacts. Greenwich Associates' survey of small businesses indicates that only 30 percent of small businesses rate their bank a five on a five-point satisfaction scale with regard to loans. So strategy—clear definition of focus and methods to improve performance and create competitive advantage—is critical.

Strategic questions that frame competitive focus include the following:

- Who are our target customers and prospects—those with the greatest wallet size and growth potential?
- On what issues do they seek advice or perspective? On what issues do they seek advice from bankers?

- What are the elements of "customer experience" with bankers and other advisors that customers most value?
- With which customers and prospects can we afford to invest such expensive resources?
- How do we position ourselves with them and describe our strategy and value?
- What are our competitors doing? How well is it working for them and their clients?
- In what ways will positioning ourselves in a new way with a different value proposition help us develop sustainable competitive advantage as we compete for our target customers?

The picture is not completely clear or consistent across all markets. For example, Pete Garrison of Greenwich Associates says that, "aside from providing loans, the two biggest opportunities for banks [to reposition themselves] are providing tools to 'manage company finances better' and 'save money and cut costs.'" Small business owners surveyed by Greenwich would also appreciate banks sharing industry knowledge and discussing company valuation issues (Exhibit 1).

Other research suggests a different angle, showing that small business owners would welcome banker advice only on issues they think banks can advise on—bank products and services—and that benchmarking and industry knowledge are less important. Each bank must draw its own line in the strategic sand.

Infrastructure

With a strategic focus in place, the next foundation is infrastructure, which includes three elements: expertise, methodology, and people.

Expertise includes issues such as the following:

- What expertise (credit, cash management, tax, investments) do sales team members need to create the desired customer experience and provide value?
- What value should relationship managers ("RMs") personally bring to conversations with prospects and customers?
- How do we configure our sales teams and service teams to provide value in addition to that provided by RMs?
- How will we consistently develop and manage this expertise across our sales force?

Delivery methodology and support systems are next. These include issues such as the following:

- What is our process to (a) frame conversations about client goals and strategies, (b) assess their situations, (c) educate them on critical elements, (d) develop an array of alternatives, (e) demonstrate the value of change, (f) help them reach conclusions, (g) on-board new clients, and (h) maintain continuity of contact and conversation over time?
- How do we integrate multiple people on a client service team so clients perceive them as an advisory team?
- What mix of products and services do we need to deliver on the promise of being "advisors"?
- How do we deliver the products and services?
- What types of information systems, sales tools, databases and process management tools do we need to support our customer experience?

Finally, since all trusting relationships are based on chemistry between advisor and advisee, the third element is the **people** side of the equation:

Exhibit 1
Greenwich Associates Small Business Survey Highlights

Customer Priority	Customer Satisfaction Rating (1 [low] to 5 [high])	5	4	< 2
1	Providing loans to your company	30%	29%	18%
2	Providing tools to help you manage your company's finances better	11	28	26
3	Providing your company with ways to save money and cut costs	7	21	35
4	Helping your company grow	10	20	35
5	Helping you save time	10	27	32

This table shows the top five ways that small businesses surveyed by Greenwich Associates seek value from their banks (ranked 1 to 5 on the left) and the small business owners' satisfaction levels rated on a scale of 5 (high) to 1 (low).

- What are the personal attributes and qualities of the people we assign to customer contact roles where "advisor" is an expectation or an objective?
- What sales skills and relationship skills do we expect them to have?
- How do we hire or assign people to customer contact roles in which "advisor" is an objective or an expectation?

Execution

Strategy and infrastructure define the new path. The third step is the hardest: execution, running down the path without tripping in clear view of prospects, referral sources, and customers. Consistency (alignment with strategy and consistency of execution from one sales person to another) and effectiveness are critical to success. The foundations of execution (for a trusted advisor strategy and all others) include the following:

- **Sales management.** This includes translating the trusted advisor vision into daily behaviors and activities, setting clear expectations, observing and coaching to shape behaviors and effectiveness, directing sales team members to ensure appropriate focus of time and activities, and helping sales team members make good decisions about relationship development and expansion.
- **Hiring and placement.** This involves translating the specifications for new hires into hiring activities and results.
- **Training.** Training comprises the development of selling skills and process, conversation facilitation skills, and the specific expertise described in the customer experience and sales models.
- **Compensation.** This involves ensuring that the compensation plan encourages behaviors and results consistent with the strategy rather than at cross purposes.
- **Assessment.** Sales and fulfillment activities are measured and analyzed to identify defects (for example, activities or behaviors that are not consistent with the customer experience and sales models); to reveal effective practices and adaptations of the customer experience; to verify sales model consistency; and to evaluate results (that is, how do we know whether the trusted advisor strategy is providing incremental sales and profitability lift).

Here are three examples of trusted advisor strategies that demonstrate these elements at work in the small business banking world: strong individual contributors, systematic partnership sales model, and an enhanced-systems approach.

Model 1: Strong Individual Contributors

The strategy that logically extends from traditional views of bank commercial lenders is to hire or develop and retain strong individual contributors who can develop trusted relationships with their customers through their experience, knowledge and perspective and focus them on the bank's most valuable growth opportunities and clients. While sales of bank products are important, the depth and duration of a banking relationship is significantly affected by the value created by bankers as they understand and meet their customers' banking needs.

Len Anctil, at Commerce Bank in Worcester, Massachusetts, is typical of such experienced players, offering experience developed over 35 years of banking businesses ranging in size from $200,000 in sales to $50 million. During Len's career, he has worked for seven banks, none of which chose "trusted advisor" as an institutional strategy. He's developed those relationships on his own. Several of his current relationships have been with him for more than 15 years.

Anctil's experience enables him to assess his clients' growth potential and focus his relationship-expansion time most heavily on those that represent steady, sustained, above-average growth. "I'm looking for opportunities to understand how the business is operating and to apply our products and services to help business owners manage more effectively. Customers appreciate this because they can pay more attention to their businesses. It also makes it tougher for them to leave the bank." Strong sales management, time management and use of consistent routines are critical to doing this successfully.

Anctil's experience also enables him to be a sounding board, someone customers call to discuss opportunities before they proceed: How do I finance it, what will the financing mean to my abil-

ity to continue my ordinary financing and growth pattern, what is the bank's perspective, does this look like a prudent risk, or does the bank feel that the risk scenario is too great for this company and this climate? With companies that are sufficiently large or represent significant growth potential, Anctil uses industry information such as the RMA Comparative Statement Studies as a basis for detailed conversations. Other banks are successfully using the extended industry profiles from First Research for this purpose. "I have found that small business owners are great at running their businesses, but they sometimes need an assist," he says. "I'm a resource. By asking questions and by sharing industry data and experiences, I can help them recognize opportunities to manage their companies differently or to address issues that they haven't focused on yet because I've seen other businesses either like them or faced with the same issues."

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Model 2: Systematic Partnership Sales Model

Building a client acquisition and retention strategy around a core of strong individual contributors with eight or more years of experience, like Anctil, is challenging to implement because of their high cost and relative scarcity to serve the millions of small businesses served by commercial banks.

Tom Doherty, group senior vice president and manager of Midwest Business Banking for LaSalle Bank (part of the ABN AMRO network), has thought about applying trusted advisor concepts to small business banking in a different way. "The term 'trusted advisor' is misused frequently," says Doherty. "People think trusted advisor means you're advising the owner on running the business. That's not it, in our view. Banking relationships with clients often start on a contractual basis with things like loan agreements. The business owner may be reluctant, especially early on, to discuss any problems the business is facing. Trusted advisor in small business is based on the depth of the personal relationship with the business owner and the breadth and depth of business issues we discuss with them. The more you push into these, the more you migrate toward this trusted advisor concept, and the more willing they are to talk about issues, knowing that you'll bring banking products to help them."

LaSalle's small business RMs can carry portfolios with more than 125 small business clients with revenues from $1 million to $10 million and credit exposures in the range of $100,000 to $2 million. They are responsible for new business acquisition as well as portfolio growth. Doherty's approach to creating deeper, broader relationships with LaSalle's small business clients is based on four elements: people, contact strategies, profiling and systems support.

People

"Since we believe personal relationships and conversation are the foundation for the types of relationships we want to develop," says Doherty, "people are critical in this mix. We need people with the interest and interpersonal skills to develop relationships." In Doherty's view, his RMs must be knowledgeable across a broad area but not expert in all areas a small business needs.

The foundation of the RMs' personal expertise is often credit, a typical lead into new relationships. The bank hires people who have been formally credit trained. Doherty says, "We've tried 'sales people' and 'credit people,' and hiring credit-trained people works best. While they don't need to be credit experts to discuss the six typical issues they see in small businesses, they do need to discuss issues like leverage, cash flow, collateral advance rates, and trend analysis and be involved in the credit process. Since small business bankers are frequently frustrated by the time they must commit and lack of support they receive in the credit approval and renewal process when they carry a large portfolio, we use a centralized credit process so they have more time to work with our clients."

ABN then stresses a team approach to expertise rather than the "RM expert" model, partnering particularly with Personal Financial Services (PFS, the branch network) and specialty sales areas to

increase contact with small business clients, reduce the negative effects of banker turnover and increase referrals back and forth between PFS and small business bankers.

Contact Strategies and Structured Sales Management

LaSalle supports its RMs with structured contact strategies and routine sales management discussions. Doherty says, "If you train people for deep personal and business conversations and you leave them on their own to do it, they won't have time because of their large portfolios and many service issues. Standardized sales management practices help get them to deeper conversation levels."

The first element of the structured sales management is LaSalle's segmentation strategy, flagging A, B and C clients based on profitability measures. LaSalle then defines contact strategies and levels of service based on current or potential profitability, ensuring that the top clients and prospects will get more attention leading to faster sales growth and increased referrals. Doherty says, "If you want referrals to your customers' suppliers, accountants, and other contacts, you have to build trusting relationships. You can't ask for referrals as soon as you close a deal. If they have trusting relationships with their accountants, attorneys, or suppliers, they aren't sure how you'll work with them, if they refer you. The only way we can build their confidence to offer referrals is to connect with them regularly and to lead valuable conversations."

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The second element is sales management routines through which LaSalle reduces the disconnect between strategy and behavior. "We emphasize call coaching for face to face meetings because we want our RMs talking about the business, the owners, and the owners' goals before we get into tactical needs or product discussions. This is where the disconnect happens if you don't have sales management on top of it." LaSalle also uses a highly structured biweekly one-on-one meeting between RMs and their sales managers that includes discussion of call behaviors and activities and is supported by the bank's contact management system.

The third key element of LaSalle's contact strategies and sales management is new client onboarding. Within the first three months of moving to the bank, new clients are touched three times, with scheduled contact by the RMs, the RMs' sales managers and the RMs' service assistants, verifying that all is well and beginning to build on the business and owner's profile. Doherty says, "We're not selling, we're building relationships. The customer feedback on this is tremendous."

Profiling Tool

The basis for LaSalle RMs' valuable conversations with their customers and prospects is a profile tool that, according to Doherty, "is not too cumbersome, yet it supports the notion of trusted advisor." The tool is a relationship profile that expands conversation beyond probing for product needs and the best next sell into broader business and family perspectives. The bank supports these conversations with a new open-ended incentive plan that ties to household penetration as well as referrals and sales.

Systems

Finally, systems. The primary new tool that Doherty has added in this arena is customized relationship management software that integrates pipeline, profiles, contact strategies, sales activities and results into one system. This system is a critical foundation for RM time management and inspection by sales managers. It helps Doherty and his sales managers and their RMs gain insights into RM behavior patterns that are creating their results.

Results

Doherty is pleased with the team's results so far. "The ultimate goal is increasing the book of business.

This approach is putting a structure around how to generate more revenue through relationship building and developing referrals. Referrals going from small business banking officers to our branches have more than doubled. We're getting the household effect. Our growth in loan outstandings and deposits is well into the double digit range."

Model 3: An Enhanced-Systems Approach

The third model extends the fourth element of LaSalle Bank's model, using systems more extensively to provide expertise and methodology. Scotiabank's small business banking group serves companies with sales up to $5 million. According to Brian Holt, the bank's Director of Small-Business Customer Experience, "Our research told us that, if a bank could do a better job providing valued advice, small business owners would see more value in that type of relationship." Specifically, Holt says, customers told the bank, "If you open conversations with us about our future goals and if, once we've told you the goals, you give us advice about how to get there, we would consider you an advisor."

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Scotiabank has identified four key issues on which small business owners are receptive to receiving advice from a bank:

- Managing cash flow
- Managing borrowing
- Managing and controlling costs
- Planning to save for financial emergencies, expansion and retirement

Structured Process

With these four elements in mind, the bank has structured conversations and a customer experience based on a profiling conversation process and tool called "Total View," through which the Scotiabank representatives:

- explore where the business and the owner are today, including financial and nonfinancial asset holdings;
- clarify business owner goals for themselves, their companies and their families; and
- suggest solutions and strategies.

Systems Support

Scotia has captured many of these elements in the bank's computer systems. For example, the bank has automated the most common small business goal statements in the Sales Builder system that includes Total View. Scotia's bankers can customize these based on what they're hearing from prospects and customers.

When it's time to suggest solutions and strategies, Holt says that the bank programmed its computer systems to suggest specific solutions and strategies, based on small business owners' goals, and direct sales officers to use certain tools and information repositories to present advice or solutions. For example, if the objective were connected to improving cash flow, the bank has built programmed strategies around this, such as "finding hidden cash flow in the business," that enable sales officers to speak about specific product bundles. Even more powerful, the bank's systems enable its sales officers to show the net result of its product bundles compared with their customers' "current states" so Scotia's sales officers can immediately demonstrate the likely value of a switch to suggested solutions.

To address their small business customers' needs for advice and expertise, the bank has created "information nuggets," available on the Web. The Web information includes "e-nuggets" on best practices and e-courses, minicourses on topics such as "how to read an income statement," typically 10 screens long, many including brief video presentations by experts and minitests at the end to check for comprehension. (*See* an example by going to *www.scotiabank.com*, then looking for the Small Business tab, Resource Centre,

and ScotiaSkills.) This approach allows Scotiabank clients to obtain information for themselves as well as through their Scotiabank sales officers. Scotia's clients value both methods.

Like LaSalle, Scotiabank has also developed a prescribed approach to the back end of a sales cycle that includes asking for referrals and touching clients multiple times during the course of the year to follow up on goals identified through the Total View and suggest solutions.

People

Also like LaSalle, Scotiabank uses a highly structured, consistent sales management process and coaching to shape sales officer performance. To support these processes, the bank is running skill-building sessions leading to certification as a "Certified Small Business Account Manager." Compensation for the account managers focuses on both methods and results, including dollar sales, unit sales, referrals to internal partners, numbers of Total View sessions set up and customer satisfaction statistics for their portfolios.

Results

Holt reports that this program was fully launched in October 2005 after pilots and that the bank is seeing strong favorable increases in total gross sales.

Summary and Conclusions

Can a "trusted advisor" strategy differentiate one bank from another? Will it work in the small business banking world?

The answer to the first question is "yes." Personal relationships and expertise provide more opportunities to differentiate than bank products and services. Developing trusting relationships with profitable customers and significant prospects is the heart of relationship selling in the small business space as well as in middle market, large corporate and wealth management.

However, developing these relationships in significant numbers in the small business world is challenging for the following reasons:

- The number of highly experienced bankers is smaller than the number needed to fully serve the market.
- The relatively low profitability of most small business households does not support major investments of banker time.
- Bank customers take a relatively restrictive view of the advice they want to receive from bankers.

Banks can and should support their small business clients better through better focused, more consistent calling; better quality conversations; and better advice to their customers on the most effective use of bank products to finance growth, manage cash flow, reduce costs and manage risk. True "trusted advisor" relationships that extend beyond these issues will be largely the result of people connecting with people, having the right expertise and experience to add some value to the conversation and following up quickly and consistently to deliver solutions. The limited supply of experienced business bankers relative to the number of small businesses means that larger banks, in particular, will need to take more systematic approaches such as LaSalle's and Scotiabank's. Creation of more systematic approaches requires focus on *strategy* (defining who you want to advise and on what), *infrastructure* (expertise, delivery methodology and support systems and people) and *execution* (managing sales activities, coaching behaviors, and measuring process and outcomes to improve focus, increase competitive differentiation, enhance the client experience and boost bank profitability).