The Business Banking Path to Trusted Advisor

Nick Miller, President, Clarity Advantage

"If you don't have expertise, I don't need you" – the CEO of a $10 million Rhode Island manufacturing company.

Business clients seek advice when they face difficult questions and banks and credit unions aspire to be their "trusted advisors" in those moments on equal footing with their attorneys and accountants, the third leg the professional support stool. And with good reason – longer and deeper business and personal banking relationships, higher net promoter scores, more introductions and referrals, and the personal satisfaction experienced by the bankers who earn these relationships.

Most banks and credit unions fall short of this aspiration. Barlow data, parallel with other research, indicates that bankers in the small business and business banking space fall well behind other professionals in the pantheon of business advisors. When asked, "Where to you go for business advice," 62% of respondents indicated "my accountant." Only 19% indicated "my banker," just slightly ahead of Google searches.

There are significant reasons for the shortfall, most important among them: Expertise. The business advice most frequently sought by businesses falls <u>outside</u> the banking wheelhouse, for example, managing supply chain issues, hiring, managing prices during inflation, legal issues, and marketing issues.

Further, banks don't train or prepare their bankers to provide perspective, insights, or points of view. They say to their relationship bankers and to their clients, "we want to be trusted advisers" but, then, they give their bankers only a little bit of sales training and product training and send them out, encouraging them to "go get 'em" – it's lip service. The result is that business owners look elsewhere for advice and counsel.

Additional reasons for the trusted advisor shortfall include:

- Client perceptions of banks as little more than dreadful-but-necessary "always trying to sell me something" providers of checking accounts (whereas CPAs and lawyers have specific education, licenses, and certifications as evidence of expertise)
- Bank profitability models, job designs, and banker compensation strategies that encourage quick-hit, high-volume production rather than patient investments in deeper client conversations
- Inadequate sales management and coaching
- Bank talent levels – the people banks are now able to attract compared with the stronger talent pool 10 or 20 years ago.
- Banker retention – Business banker turnover and, thus, low familiarity with companies' specifics

Given all of the challenges, the institutional path to scalable "trusted advisors" starts with a strategy. Since business banking clients are looking for expertise and trustworthy advice, the first step to developing a scalable and effective bank program is strategic:

- Which clients does the bank want to advise?
- On which difficult (for them) financial questions or problems?
- Who will provide the advice?
- Through what channels – in person, through a phone channel, or with web site resources?

"Which clients" requires a segmentation strategy. It's not achievable to be a trusted advisor to all clients in retail, small business, business banking, or commercial banking. And it shouldn't be – it's not a profitable model. It's a small population of clients (particularly in the small end) that have the potential to be profitable. So, banks can determine with "which clients" to develop advice-based or expertise-based relationships based on factors including current or expected client growth or relationship profitability, client NAICS code, specific client problems, bank capabilities (for example, comfort with dental practices), and competitor strategies.

"On which difficult questions" will vary based on client sophistication. Most small (sales < $1 million) businesses don't use even simple accounting software, and many don't have CPAs or attorneys; they are grateful that bankers take a few extra minutes to provide the simplest guidance. They need different counsel and tools than larger businesses that have CPAs and attorneys who advise them on significant tax, legal, financing, and other issues. So, the expertise bankers need as sources of insight or advice will vary based on bank choices of clients and size.

"Who will provide the advice" and "through which channels" is a cost of delivery question. While in any bank line of business there are individual solutions – business bankers who stick with their clients long enough to earn their trust; develop sufficient knowledge to offer a broad range of business perspective; and nurture links to community resources who can contribute expertise on other issues, finding or developing such individuals is expensive and time consuming.

Teams are a more scalable solution, drawing and coordinating resources from across the organization to focus on the chosen clients and their chosen difficult questions. Alternatively, in a centralized, virtual environment, "pods" include expertise from cash management, wealth management, and credit. Both can be supported by comprehensive, evolving website articles and interactive tools and by live or recorded seminars on topics that can range within and beyond typical bank product sets. Finally, a network of community resources outside the bank to whom bankers can confidently refer clients who need a specific non-banking expertise.

Based on the strategy decision, the second step is a job model that explicitly addresses the "expertise question" for bank team members, defining who (banker, product expert) needs what (knowledge, methods, sales process, skills, and tools) and how they work with clients and each other to advise chosen target clients on chosen difficult questions.

A helpful first step is to define team member expertise in a progression of levels, for example (HIGHLY simplified)…

1	2	3	4	5
I can put you in the right core banking products.	I can describe features and benefits of all business banking products.	I can help you improve cash flow, streamline transactions and reduce fraud.	I can help you increase the value of your company.	I can share perspective or advice about other business issues (e.g., supply chain)

… and specifying which levels are to be achieved by which team members by specific dates to achieve the strategic objective – both the perception and reality of "trustworthy advice" to the chosen client segments on the chosen difficult questions they face… at scale.

Implementation of the strategy and job models then requires integrated alignment within and between relationship and product-specialist sales organizations, something more than a few hours of training and a couple of role plays:

- Expectations, including behavioral performance standards that translate strategy into descriptions of "what good looks like" for each client-facing position
- Feedback, including observation and coaching, client surveys and interviews, tests (to assure bankers have mastered expected knowledge and skills), and performance evaluation and compensation strategies that reward developing closer relationships with appropriately chosen clients

- Resources, including methodologies, readily accessible industry information, packaged advice ideas ("here's an emerging issue all of us can share this week with our clients …."), service level agreements between departments, and support staff
- Hiring, including selection of team leaders and team members who are interested, capable, and willing to do the work needed to prepare for and facilitate more consultative relationships with clients
- Training and development, including sales and consulting skills and, as appropriate to the strategy, industry knowledge, product knowledge, financial analysis skills, and working capital management strategies.

With regard to training, specifically, two issues: Time and focus. Since knowledge, insights, and perspective are the table stakes for sharing ideas and providing advice, "time" means "dedicating organizational and banker time to continuous, progressive formal learning rather than slamming one-week or two-day training programs into four hours" and "providing timely, consistent, structured coaching that supports learning on the job," clearing up another long-standing weak spot in bank sales models.

"Focus" refers to the content of formal learning. At levels and in amounts appropriate for the chosen target bank clients and bankers, relationship banker training should move beyond a few programmed questions and product features and benefits to focus more heavily on:

- the industry context in which their clients operate
- the operating problems or difficult decisions clients face
- effective strategies for using bank products to solve clients' financial and operating challenges
- relevant stories about how clients in a particular industry are handling other issues, for example, managing their social media channels
- connections to other resources in the company or in the outside community who can offer advice on issues about which business bankers cannot provide perspective or offer counsel.

In sum, people seek advice or advisors when they face difficult questions or problems. They seek technical expertise, perspective, or both. Each of us, in our daily lives, has a network of advisors who help us address difficult questions or problems whether it's faulty plumbing or financial planning. Each of those advisors has a specific expertise that we know, trust, and solicit when the time is right. We know when to call them and for what.

For many business banking clients, it's not clear for what expertise they would look to a banker. Said one of Barlow's respondents: "We use a financial advisor for investments…. We use an IT advisor for security concerns. We have an in-house attorney for legal advice…. It's hard to see where our banker would have something to offer that isn't covered by folks with more in-depth expertise in the field of concern."

While a few bankers may develop strong enough client relationships, deep enough business expertise, and broad enough community connections to advise clients themselves or introduce them to additional resources, most will not. Banks aspiring to build scalable models that deliver their relationship bankers as sources of perspective should define the clients on which they want to focus and the client-difficult challenges they'll prepare their bankers to address; promote that message to bankers, clients, and prospects (so they know what to expect); and align internal expectations including feedback, resources, hiring, and training to support the strategy.

Nick Miller and Clarity Advantage help banks and credit unions attract and deepen small business and business banking relationships, faster, through content marketing, focused sales tactics, and training that increase banker competence and confidence to expand community networks, provide value beyond bank products, earn business owners' trust, and broaden sales conversations. Find more articles like this, resources, and Nick's entertaining Weekly Sales Thoughts here.
Contact information: Nick Miller, President, nickmiller@clarityadvantage.com , 508-733-3754

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