Reprinted from the issue of February 4, 2002

MASSACHUSETTS BANKER

THE MAGAZINE OF THE MASSACHUSETTS BANKERS ASSOCIATION

The Entrepreneurial Banker: Oxymoron or Opportunity? Part 2

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In part one of this article, published in the fourth quarter issue of *Massachusetts Banker*, we explored the concept and rationale for creating the entrepreneurial banker and examined some cultural impediments.

In part two, we will look at some of the tactical elements and how to execute them for maximum success.

While there are a number of issues, there are four that have greater significance:

I. Participation, Goal Setting

The traditional method of goal setting in a bank has been the "trickle down" method. The CEO and senior management set the goals then hand them down to those responsible for achieving them. This method may be appropriate for tellers and customer service representatives (CSRs), but staff members with true business development capability (branch managers, commercial lenders and business development officers, i.e., your bankers) should have more participatory goals.

These bankers should be asked to project their next year's business, including where their gains will come from, what resources will be required and what kind of help they will need from management. By so doing you'll discover the goals will be surprisingly aggressive, as most people want to prove how good they are, and, although there is a possibility of sandbagging, most people want to stretch in predicting what they can accomplish.

In addition, there is genuine buy-in when the goals are created by those responsible for reaching them. Resources and the amount of direct assistance to be provided by management should be determined through negotiation between the banker and his or her supervisor.

II. Control of Resources

The greater control your bankers have over resources the more entrepreneurial they will feel. Once a framework has been established, giving staff members control over allocation of resources is usually a low-risk move for the bank, but one that creates positive results. For instance, you should provide your banker with a specific budget for discretionary business development activities, and let him or her make the decisions. However, there should be accountability, so that any significant expenditure of funds against that budget is reviewed with the banker's supervisor. While the purpose of this review is not to reprimand a bad decision, the process should be self-correcting, as the banker will see where the dollars have been effective, and correct as necessary. This creates true accountability and a healthier process overall.

III. Paying for Performance

This is the last great hurdle that most bankers are dealing with in moving from a pure service culture to a sales and service culture. If you look at your non-bank competition, most of which have superb sales cultures, they all pay for performance in one way or another. Adequate compensation for individual performance is essential in order to level the playing field between banks and their nonbank competitors.

Alex Sheshunoff, the well-known bank consulting firm, conducted a study on characteristics of high performing banks (High performance was measured by return on equity and return on assets.) In this study, the group of high-performing banks consistently offered incentive compensation plans that paid for performance. Such an approach provides a more balanced "alignment" between the goals and objectives of the individual and the goals and objectives of the institution.

IV. Encouraging Failure

Taking risks is at the heart of entrepreneurship. However, bankers as a group are notoriously adverse to taking risks. Creating an environment to allow your bankers to take risks (within clearly defined parameters) is a great way to encourage them to think and act "outside the box." While extension of credit is one form of risk-taking, there are others that your staff members should be encouraged to explore. The way

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they prospect, the marketing activities they engage in, the way they approach customers, and even the way they maintain customer relationships are all areas where unconventional behavior might produce great results. Sometimes doing the unexpected can go a long way to demonstrating to a customer or prospect that your banker is different from the stereotypical banker that is often considered unapproachable and rigid.

Making It Work

Obviously, the above tactical elements all require some cultural preparation and in most cases change. We know that change is not easy, especially for a group as risk adverse as bankers. The important message is that your bankers should be stretching and pushing themselves outside their comfort zones to grow personally and professionally.

Just as a personal trainer pushes the client to do the extra repetition, your banker should be encouraged to act in a more entrepreneurial fashion. The success of such a program rests heavily on the vision, leadership and communication skills of the person at the top of the organization chart. If that is you and you are up for the challenge, give it a try. You have a lot more to gain than to lose. ◆

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