

Human Capital:

Leveraging Your Most Effective Resource

By Margaret Kane, PhD.

Although branch banking is not fundamentally different across diverse markets and from one financial institution to another, some organizations make more of a strategic investment in their staff, placing a very high premium on the value of “human capital”. Across many institutions, this investment is currently increasing as executives embrace the notion that the “branch is back”. Customers go into a physical facility in order to interact with people, and it is the quality of this interaction that is critical in order to add value to the customer experience, sell appropriate products and increase client retention rates. What can you expect to achieve by making such an investment? What are the critical success factors?

Financial Services are Sold, Not Bought

Few would argue that the lion’s share of financial services are proactively sold by individuals, not reactively purchased by the buyer. This fact is best demonstrated by the renewed emphasis that institutions are placing on their physical networks to generate sales. Other channels support and enhance the overall relationship with the customer, but for virtually all banks, over 80% of their sales are consummated in a branch. Some percentage of a branch’s daily sales are the result of customers walking through the door to fulfil a predetermined product need. (“I think I’ll go to ABC Bank to open a current account.”) These types of purchasing decisions are most influenced by the convenience of the location itself, the institution’s overall brand and image, and the buyer’s personal experience with the company.

In successful financial institutions, a higher percentage of sales are actually made as a result of a proactive activity on the part of a branch employee. These institutions are constantly evaluating how to leverage both the facility itself and the people within it to drive a higher degree of locational profitability.

People Can Best Influence the Sales Process

Organizations that truly understand how financial services are sold place a great emphasis on the selection and development of people. They understand that it is the employees themselves who drive virtually all sales other than for customers who made a buying decision even before walking in the door. Banks with a good image, positive market

awareness, and an established customer base, can best drive increased profits by investing in their employees. The following factors can serve as “audit points” to evaluate whether or not you are making a proper investment in your front-line staff.

The Recruitment Process Do you have a formalized process for recruiting new employees? Do you have a profile of your most successful individuals and have you structured your selection process to ensure that you can identify candidates who match this profile during the selection process? Can you modify your ideal candidate profile over time based on new criteria? Recruitment is best not left to individual branches, but should be a highly structured, institutionalised process where prospective candidates see the best you have to offer.

Institutional Training Most banks provide a solid overview of the organization and its products to new recruits. They may talk about culture, technical requirements of the job, and how the products work. But very few breathe life into this institutional training by telling and showing them how to use this information when face to face with a customer.

Formalizing the Sales Process Can you articulate the sales process in your branches? If not, can you truly expect your employees to interact with customers in a way that leads to excellence in their sales results? World-class financial institutions have achieved an environment where customers don't feel aggressively sold but rather advised and informed about financial opportunities only because the bank employee took the time and made the effort to explain to them. These employees have learned the science of consulting with customers so that they are actively helping them, not just pushing to meet their sales goals. Elevating the art of sales to a science with a clear-cut process requires detailed training that includes telling employees what to do, showing them how to do it right, and then allowing them to learn to do it properly through extensive practice and role-play.

Sales Coaching Many banks pay lip service to the concept of managers as coaches. Few have really done what it takes to free their managers from their routine administrative duties to allow them to coach and develop their staff. Do your managers take time everyday to help employees formulate their sales plan? Do they observe their staff interacting with customers daily and then take the time to provide feedback about the interaction? Do they help their employees develop activities that will create the right kinds of customer interactions to

further sales goals? Or do they just layout sales goals and then complain when they aren't met?

Investment in your staff isn't a one shot deal; it isn't something that just happens during new hire training. It starts with the fundamental management perception that people are your most valuable resource. Not only do they need institutional instruction, but also they require an on-going investment in training in the desired sales and service process. Managers need to be transformed into coaches who add value to their sellers. Finally, the entire culture needs to support the desired sales culture by tracking, incenting, and recognizing the right sales results.

Finally, you will know if you have made a proper investment in your branch talent when you can answer the following question in the affirmative. Are at least 75% of your branch employees individuals in whom you personally have enough confidence, trust, and respect that you would buy a financial product from them yourself?

Don't Forget Your Tellers

Some organizations have done an effective job of transforming their platform staff into proactive sales officers. The best institutions have taken this concept a step further by differentiating the type of training offered to the employees who interact with the most valuable clients to ensure that this customer group is nurtured and developed.

Virtually all banks have done little to invest in their tellers, the employees who have the most client contact and who control the client's impressions in the most subtle ways. In some ways, the teller's job is the most complex of all, as he or she needs to finesse operational realities ("I'll need to place a hold on that check for 5 days."), AND look for sales opportunities, ("Mr. Jones, you've been preapproved for a line of credit."). Keep in mind that there is real economic value in reducing teller turnover and in training them on your bank's sales process.

Back to Basics

Throughout the 1990s, there was much emphasis on new delivery channels, new efficiency measures, and better implementation of information systems. Most of these initiatives were driven by the bank's view of the industry and the need to increase profits. We are now observing a renewed emphasis on creating value in the customers' eyes by providing improved customer interactions, a more consistent sales process, and well-defined coaching for both improved sales and service.

Better people create value for customers, which in turn is the only real way to create sustainable shareholder value and competitive advantage. In a world with little true product differentiation and one dominant distribution channel, it's all about human capital.

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