

Webinar 1: "Leadership Strategies"

by Melvyn Morrison

In conjunction with our partner Gartner, the global research and consultancy firm, Banking & Finance magazine is publishing an initial series of three Webinars devoted to the following themes: leadership strategies, putting the customer first, and simplifying the business.

This Webinar is devoted to the 1st theme: 'leadership strategies'. Since this is very much a global issue, we have invited the following bankers from the U.S. to participate in the dialogue.

Deborah (Debbie) L. Bianucci, President and CEO of BAI: the financial services industry's leading provider of breakthrough information and education for retail financial services executives. Debbie will also act as the moderator for this Webinar.

J. Lanier (Lanny) Little, Executive Vice-President of Consumer Banking for First Niagara: one of the most respected super-community banks in the United States.

Julie Dunn Story, President of Business Banking Sales, for BankAtlantic: a leading regional bank based in Florida.

Scott M. McBair, Retail Banking Executive for Webster Financial Corporation: one of the most progressive retail banks in the north-east of the United States.



Frank Verkerk, Founder and CEO of the 'novo' bank, MoneYou: an independent and innovative subsidiary of ABN-AMRO

offering mortgage, savings, and insurance services.

Debbie: "Today, we will focus on leadership in terms of global issues and retail banking as we look at different ways of reinventing retail financial services in challenging economic times. At BAI, we consider that rebuilding customer loyalty and trust is critical. Our research is conducted in the U.S., however we also work with other organizations, such as Gartner, around the world. Our challenge as leaders in retail banks is to find ways to rebuild the trust among our customers. However, to achieve this objective, we need to review the following five elements: >

The Key to Reinventing Retail Financial Services: Rebuild Customer Trust and Loyalty



The first element is leadership. Strong leadership, i.e. to have a clear mission and vision that is articulated over and over again to our people and ultimately to our customers, and is a critical part of what is required during these turbulent times.

And as much as we talk about rebuilding the trust of the customer base, what is important is to rebuild trust in leadership. As leaders look at their responsibilities, one of the most important things is to find ways to communicate clearly so that the people inside and outside the organization have a view of where the organization is going and have trust that we will get there.

The second element is to *get back to the basics* and manage the fundamentals well. So you start with leadership, then with management. Getting back to the basics, whether that is in the way that products are delivered or risk is managed, so that you really have a well-oiled machine that is operating very effectively and efficiently for customers in order to enhance trust. This will go a long way towards building trust within the organization and certainly with the customer base.

The third element is to *encourage innovation*. Although this can be difficult in challenging economic times, it is important to find different ways to serve customer needs. You can find different ways to serve your customer base through an investment in innovation and a commitment to innovation. It is extremely important for a leader to create an environment for innovation. Successful product development and innovation are tough in a good business environment, and it is very important to create an environment where people see the opportunity and have the confidence to move forward with new ideas.

The fourth element is the importance of *strategic alignment*. In some ways, it doesn't really matter what your strategy is. What matters is that you are aligned with the strategies that you choose. By alignment I mean: the product and pricing

strategies that you choose, the talent strategies that you focus on, the structure that you put in place, the routines that you build, the culture that you develop: they must all be aligned so that your organization moves towards goals that are clearly stated and all of the momentum is going in the same direction. You have such a better chance of being able to achieve that if you have alignment.

The fifth element is to stay *close to the customers*. You must really understand what customers need since, especially in these challenging times, if you rely too much on your intuitive experience, you may be missing points because the world has changed. And so staying close to customers, being very aware of what their changing needs are, adapting what you can do, and being nimble in being able to adapt quickly, will make all of the difference in the world in the way in which you can deliver on different better kinds of financial services to attract and retain customers. At the end of the day, their trust and loyalty to you as an organization will be built through these five elements. It is important to have strong leadership, go back to the basics, manage the fundamentals very well, encourage innovation, be strategically aligned, and stay close to customers so that you have the opportunity to be nimble and adapt quickly. So I would now like to our panel of delegates to introduce themselves, before we enter into a dialogue with them."

Scott: "Good morning Debbie, I have been in retail banking for about 25 years, the most recent 4 years as executive of retail banking at a mid-cap bank, and formerly an additional 21 years with one of America's largest banks in a variety of regional capacities. I have been involved in branch networks, ATM, retail operations, sales, marketing, and marketing research."

Frank: "I have been in retail banking for more than 10 years, mostly at ABN-AMRO bank where, for example, I have developed Internet banking, managed product development departments, and where I was also Marketing Director of Consumer

Practice, before switching jobs to become the CEO of MoneYou Bank, a start-up financial services provider that is fully Internet-based."

Lanny: "I have in banking for 35 years, mostly with Wells Fargo in various community banking management roles. During the past 18 months, I have been working for First Niagara Bank, a regional bank in upstate New York that is currently expanding into Pennsylvania. I am looking forward to learning about banking in Europe and having the opportunity to compare some notes about how to navigate through these turbulent times."

Julie: "I have been in banking for more than 28 years, working in many different facets of the banking industry including retail business banking, marketing, training, product management and sales management with large regional banks as well as with smaller community banks."

Debbie: "First of all, I would like to talk about the impact of the changing environment on the business model for retail banking. Who can give us some observations about the models that you see in contrasting larger banks versus community banks in the U.S.?"

Lanny: "It's a question of going back to the basics, or in fact, whether we should ever leave the basics. The best model has always been the model that is centred around the customer. In the U.S., the starting point for that relationship is typically the key transactional account (the checking account), so to me the task is still one of attracting, expanding and retaining those core value relationships built around the transactional account, with a customized bundling of products to meet the needs of that particular household or business. A key element is getting to know the client, profiling to understand those needs, and then having a product set that allows you to address those needs and help that household or business to succeed financially."

Debbie: "So with the model built around the customer, what would you say is the biggest >

single difference between a very large organization, compared to a community banking organization?"

Lanny: "Having had the opportunity to work in both, I think that it is all about the commitment of the organization, rather than the size of the organization. A very small organization can find ways to be less personal than you would think it would be, based on its size, and perhaps a large organization can make a significant commitment to the talent and the resources that allows it to be very responsive to the customer. So, size can get in the way, being small might make it easier to adopt a personalized approach, but I think that it is all about management choice and the leadership commitment to delivering that kind of experience to the customer."

Debbie: "What differences do you see in Europe between very large banks and smaller banks?"

Frank: "In Europe, all banks, especially the large banks are re-evaluating their core customer group and core targets and reorganizing themselves to stay focused and customer-centric."

Debbie: "There has been some discussion about organizations being too big, but what is good for the customer?"

Frank: "In general, it's about management choice. The size of the organization can be a disadvantage if it prevents you from making clear choices. Everything must stay transparent and be focused on what the customers really want. However, if you have a clear vision and you know your customers, and your strategies are aligned, then size is no longer a factor."

Debbie: "When banks are under pressure to minimize expense, how do we find creative ways to continue to invest in the professional development of our talent, given that it is our talent who understand the needs of our customers and fulfil the important roles as leaders?"

Scott: "Savings are being made, for example,

tuition reimbursement might be more oriented towards actual on-the-job type activities, as a pose to a general college education. There are also more in-house programs, including video training, to make sure that people know exactly what is expected of them. So, giving your employees the attention that they deserve, the right coaching, and the necessary job rotations, is how we can retain our people and transform them into future leaders."

Debbie: "How do large organizations view performance management compared to smaller organizations?"

As a leader, you need to be visible, and when you visit a branch, don't just be there for a 10-minute visit, stay there half the day to see how your customers interact with your employees, and you will learn a lot.

Scott: "This has to do with the use of external resources versus internal resources. In large organizations, people do not have to go outside the organization: they are more busy implementing something at national level in terms of performance management, or even ensuring best practices by talking to their peers across the country. In mid-size organizations or community banks, it is more about seeking external resources."

Debbie: "What are banks doing at the moment to retain and develop the best talent?"

Julie: "Some banks reward employees with bonuses and stock option programs, however, these are being scrutinized at the moment. In times of uncertainty, communication and involvement are important. We must make sure that the top talent really feels a part of the solution for the organization, and that we invest in them. However, some organizations are not communicating with employees. If someone is not performing well, they need to be put back on the right track. At the moment, the talent tends to stay in organizations because of the fear of another opportunity and the uncertainty of another financial institution, but as the economy turns, many organizations may see some of their best talent depart, and this is a risk that organizations cannot afford to take."

Debbie: "What are the critical factors for building a culture that supports innovation and leverages the top talent?"

Lanny: "A lot of opportunity currently exists in terms of talent. We think that this is a wonderful time for our organization to be telling our story to the talent that is out there. What has changed is the opportunity for individuals to make a difference within the organization, and to feel that they really have the opportunity to do this. However, to achieve this, after bringing everybody on-board, we have to communicate, clearly outline and define our vision and executional strategy, and give them the actionable information that enables them to make good decisions within the context of the strategy. Each member of the team must know what is expected of them and how they can contribute. By attracting new talent, our organization can also bring in new ideas from outside the company to spark creativity and innovation inside the company. Individuals must understand their company in order to feel that they are making a difference."

Debbie: "As we think about rebuilding customer trust and loyalty, different business models are being put in place, we are building talent, and how we approach sales can be a very critical >

part of our success. So, how do you develop your people to try to meet the needs of the customers without 'pushing' the product in any way that would hinder the customer trust that we are trying so hard to build?"

Julie: "Our teams will do what we ask them to do, so it is important for our strategy to be very clear, ensure that our message is communicated well, and this certainly impacts how we handle selling. You must have a balanced approach to the sales process, and it must be backed up by good reporting and accountability in order to prevent the 'product push' that often happens. It is not only products, but just as importantly, profitability for those customer relationships, that helps associates make the right product choices. Just adding additional products that do not benefit the customer, actually costs the organization money, so if you have the profitability component, it will balance it out."

Debbie: "Have you found that sales compensation strategies have needed to be changed?"

Julie: "Absolutely, in various organizations, it is an art, not a science. Each company is trying to determine what works best for the organization, but there are often times when you have poor products that do not necessarily bring value to the organization or to the customer, which is a very bad combination. A lot of organizations are rethinking their relationship management, adopting a much more rounded approach to retaining customers, and staying customer-centric."

Debbie: "What are the key drivers towards success in building sales culture and meeting customer needs?"

Frank: "It is important for the sales culture to be developed so that it is customer-centric, however this is easier said than done. We also tend to overestimate the extent to which the customer understands our products and processes. We can also enhance the feedback by communicating to the customer where we are in the process and

what he can expect, in order to enhance customer satisfaction. I also think that remuneration and how you build up your sales incentive scheme are also very important: although it is always a tailor-made solution, it must have the right balance between financial and non-financial target setting. Good sales people must also be armed with the right sales propositions and vision in order to be transparent to the customer and achieve their sales targets."

Debbie: "Do you think that building customer trust is easier in a new organization compared to being in an established organization?"

Frank: "I think that is a mixture of both. It is harder because we have lost a lot of trust as a sector of the banking industry, and we receive a lot of questions about us, unlike before. As a new company, it is easier to design what you want to deliver, and our existing customers are

I would recommend the introduction of a 'customer board' in order to give your customers a role in your company.

not only very satisfied about the services that we deliver, but also about the fact that we are very transparent about what we will not deliver."

Debbie: "What the most critical competencies of strong sales managers in our financial services business?"

Lanny: "I think the challenges of establishing personal accountability, and doing this in a coaching fashion instead of a less friendly success-oriented fashion. The challenge in many organizations is building the effective coaching skills. It is a wonderful model when it works appropriately, when you have a coach helping you to achieve success, but this ultimately depends

on how well you execute that model. Retail is also a daily business, and a lot of organizations need to look at the environment that we are in, and whether they have invested in the ability to understand what is happening in the retail organization on a daily basis, and in providing the necessary coaching. For example, in American football, if the coach is not actively engaged at the crucial moment, then it is going to be very difficult to lead that team to success. So good accessible information for both the player and the coach that puts them on a common plane in trying to achieve success, is critical. It is also a much more enjoyable and sustainable environment. I think that the 'demand for results' versus 'coaching for success' model is not sustainable. There are also product silos, and also occasionally a sales and service silo within organizations. In our current environment, everyone in the organization is involved in sales and service. Understanding both sides of the equation and what this really means and how to operationalize that, is critical."

Debbie: "As a final question: if you had one piece of advice that you could give about how to increase your impact as a leader in a retail banking organization, what would that be?"

Julie: "When you look at the top performing U.S. banks of all sizes that have really coped very well with the present economic times, the message that you see is that consistency, communication, having a disciplined leadership team (starting with the CEO), has held true to their vision and values. The banks that have done well have not jumped on the bandwagon for every new thing that has come along, even when criticized for not doing so. So my message is: be clear, consistent and communicate."

Lanny: "I think courage of conviction at the leadership level is key. We must stay focused on the basics of serving the customer. The ability to help the household or business to succeed financially is what gets us all up in the morning. The other basics include maintaining a solid credit profile, and a solid risk profile, and this is often forgotten, and consequently, you loose the >

opportunity to pursue your vision when you are dealing with challenges created by bad decisions on the risk management side. The whole crisis has brought home the importance of managing your capital effectively and profitably, and having enough of it. So regardless of whether you have successfully weathered the storm or have challenges in your organization, you have to find a way to stay visible to your customers, and communicating in front of your team. You must be able to step into the disruption with solid leadership, a solid vision and a great executional strategy. At the moment in our organization, we are focused on three things: strengthening our foundations, making the investments we need to, and then technology and executional strategies in the training and talent development. We talked about stretching our core: finding ways to do the basics better in order to move to a higher performance level, perhaps as others

are preoccupied. In our organization, it is an opportunity to reach upmarket, to reach into some segments that now see us as a valid competitor, and who are now willing to pay for the value that comes with the relationship that is more customer-centric, and has solid leadership.”

Frank: “The future of banking is about being customer-oriented. I would also recommend the introduction of a ‘customer board’ in order to give your customers a role in your company. Also, do not spend time reading customer surveys, instead confront your customers and ask them whether they perceive you as being customer-oriented and transparent. If they say that you are not, then you have to go back to the drawing board. So, your sales people, product developers and marketing people should all get close to your customers, because surveys don’t tell you everything. Also, even though some things look like attractive

development opportunities, you should try to stay focused, and learn to say ‘No.’”

Scott: “If you are a manager, you should get out of the bank into the branches, and not stay in the office, in the ‘ivory tower’. You need to have contact with your business customers 50 to 60 per cent of the time, 3 days a week. As a leader, you need to be visible, and when you visit a branch, don’t just be there for a 10-minute visit, stay there half the day to see how your customers interact with your employees, and you will learn a lot.”

Debbie: “In good times, the opportunities seem to bring growth and prosperity. However, in the tougher times, we need leadership, and I think that all of you here today have contributed to this by sharing your valuable insights with us. Thank you.”

Photos: Léopold Oosterlynck



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