

Developing a sales culture in retail banking

Industry
Retail Banking

Diagnostic Tool
OCI and LSI

Total Staff
4000

Income
1.8 Billion

Net Profits
\$160 Million

Total Assets
\$20 Billion

Introduction

Few industries have experienced the rapidity of change as that imposed upon the Retail Banking Industry in the 1990's. With economic conditions putting severe pressure on interest margins, banks have had to look for a totally different way of running their businesses. This at a time of increasing costs, and in a market where the consumer has become much more aware of the products, costs and values being provided.

The Banking Industry's answer to this phenomenon has been through two strategies:

1. Critical mass: whereby mergers and acquisitions provide efficiencies through size.
2. Sales and Customer Service: emphasising sales and profit growth through increased business per customer and increased profitability per customer.

The net result - a very competitive industry, where banks seek to retain their existing customer base, obtain more business from existing customers and attract customers away from their competitors. And this in an economy which is technically 'over-banked'.

This particular case study relates to the experience of one bank that focused on building growth initially through the second of these two strategies. Whilst growth through acquisition was fundamental, even more fundamental was getting the basics of banking right within their own business to capitalise on the opportunities presented in this new marketplace.

The Goal

The key business outcomes related to sales growth and profitability. Key measures were: growth in both interest and non-interest related products; growth and profitability per customer, particularly in 'high net worth' customers and Branch profitability.

The Challenge

The call went out from the Director of Retail Banking. They needed, he said, to develop a 'sales culture'. Key strategies included:

- Clearly identifying the relationships between sales, customer service, account administration, processing and risk management.
- Developing an integrated customer information system that could be implemented at Branch level.
- Providing excellent front line service in Branches.
- Ensuring a balanced mix of delivery platforms, with in-Branch sales and service, electronic banking (telephone banking and ATMs), mobile sales/response units and event related 'shop fronts'.

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Key Issues

The strategic plan identified three key issues they felt meant the difference between success and failure:

- Managers at the Branch level needed to change the way they managed their businesses.
- If all banks were pursuing similar strategies, the only real competitive advantage lay in the Bank's people.
- People needed to think differently about how they approached their work. In short, the Bank needed to change its culture.

Top Management saw that the key lay in behaviours - both at management and non-management levels. They also quickly established that their change vision could be best achieved by first understanding what the current culture and management styles were, then identifying what behaviours would facilitate achievement of the strategic goals and then determining how these could be reinforced and become 'the way we do business'.

Process

A comprehensive development plan was constructed. From the people perspective, key elements of this included a management and leadership development programme for all managers (both Branch and Head Office), a sales and service education programme for all staff and sales training for all Branch staff. A time line of three years was placed around the change project, with short-term one year targets (eg sales) and longer term three to four year targets (growth, profitability).

In terms of management and leadership development, each manager attended three training programmes:

- Year 1: Management of Sales Teams (2 days).
- Year 2: Leadership Development (5 days).
- Year 3: Sales Management (2 days).

Each development programme incorporated behavioural measures and feedback using:

- The Human Synergistics Life Styles Inventory (LSI). This provided feedback on own and others' perceptions of each manager's personal management styles and leadership behaviours.

This then provided each manager with clear guidelines on where they personally needed to change to support the new strategic direction.

- The Human Synergistics Organisational Culture Inventory (OCI). This provided each manager with a clear view of his or her own branch or departmental culture. Combined with their own personal feedback, each manager was able to target specific behavioural change issues within their own business units.

Details are presented in the following pages.

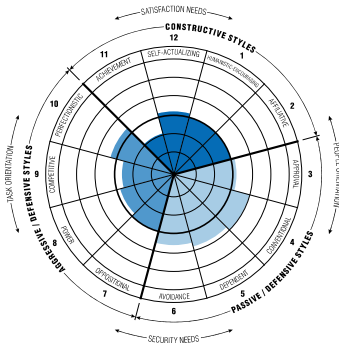
These two instruments essentially became the foundations of the change effort. Managers' development plans were built around the Constructive Styles, in terms of both effective personal leadership and building a culture that encouraged involvement, teamwork and integrity and rewarded personal performance and 'making a difference'. In short the key was for everyone to see that their own personal effort made a difference.

Results

Within the first 12 months the change project began to see returns. Sales of non-interest income related products and services increased dramatically, whilst the lending book grew at a rate above the industry norm. The number of products/services per customer indicated greater share of wallet and profitability was above expectations.

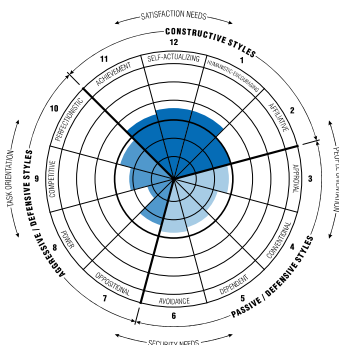
The following year saw a continued growth in both sales and profitability, with specialisation and segmentation into personal, rural and commercial markets.

Figure 1: Culture year 1



These profiles represent the combined Branch cultures

Figure 2: Culture year 3



Every year since the project started, the industry customer service survey (conducted by an independent university group) has rated this bank first (and, one time only, second) in its industry in terms of customer service and satisfaction.

This Bank recently acquired one of its competitors and is now set to become the largest bank in its marketplace.

Organisational Culture: 'How we do things around here'

The initial culture survey revealed exactly what the organisation needed to deal with if they were going to achieve the goals of the change programme.

The orientation towards the Passive Defensive behavioural norms of:

- Conventional (always follow policies and practices, treat rules as more important than ideas)
- Dependence (please those in positions of authority, never challenge superiors, be a good follower)
- Avoidance (don't get involved, wait for others to act first, put things off) clearly required attention.

With these as the prevailing behavioural norms and expectations, a change programme that sought innovation and initiative, personal responsibility and proactive participation would experience some hurdles.

The Bank's cultural strengths lay in its commitment to people. The key therefore lay in harnessing this in a way that involved everyone in the process. This meant genuine involvement. Participation and teamwork was the 'catch-cry' for this process.

From projects at Branch level to organisation-wide working parties, involvement was the key. Restructuring, new processes, roles, goals and accountabilities were all developed through participation, emphasising the organisation's core values at all times.

The result is quite clear. By Year 3 the culture represented more Constructive behavioural norms of:

- Achievement (work to achieve self-set goals, pursue a standard of excellence)
- Self-Actualising (emphasise quality over quantity, do even simple tasks well)
- Humanistic-Encouraging (be supportive of others, involve others)

Leadership & Management

Not surprisingly, given the culture profile at the beginning of the change initiative, the primary management style and leadership behaviour seen in the managers was Avoidance.

If the culture reinforces following rules, bowing to those above you and lack of involvement, then it is only natural that the managers will be primarily defensive and protect themselves through being non-committal, detached and avoid making decisions (or at least push them upwards).

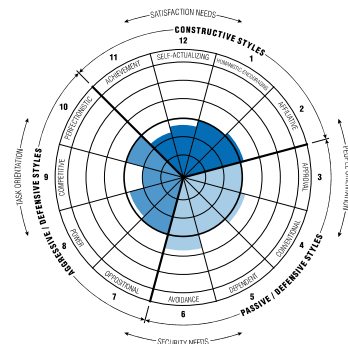
Leadership and management development efforts therefore focused on building the Achievement, Humanistic and Self-Actualising orientations in the managers.

Achievement orientation through education related to:

- Goal setting
- Problem solving
- Analytical thinking skills
- Strategic management
- Performance management
- Tracking and measuring goal achievement
- Marketing and sales management
- Building an achievement oriented culture at Branch level

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Figure 3: Managers year 1



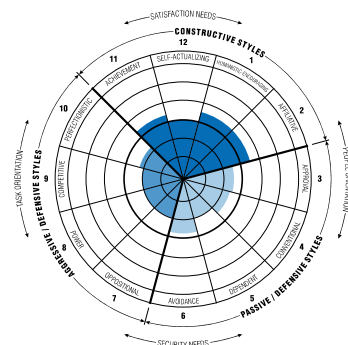
These profiles represent the combined management behaviours of the individual Branch managers

Humanistic-Encouraging and Self-Actualising orientations through education related to:

- Coaching for superior performance
- Building superior work teams
- Managing influence ('empowerment')
- Modeling and actualising the core values
- Developing a culture of success
- Emphasising learning and growth
- Job design and motivational processes
- Communication

Again the impact is reflected in a significantly more Constructive profile for the managers in their re-test a year later:

Figure 4: Managers year 2



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