Finding Big Business in Serving The Small Business Market

By Joe Sparacino

The nation's improving economy means that more small businesses will be shopping for loans in the coming months. In fact, Omega Performance research shows that the small business sector is recognized by many lending institutions as the commercial loan market with the greatest growth potential.

How can your bank strike while the iron is hot and develop a competitive edge in this lucrative market segment? Success largely depends on putting key business development and credit strategies into action. Let's take a look at these strategies and how they can increase your chances for hitting it big in the small business market.

The Business Development Side

To acquire and retain the most desirable small business borrowers, your origination team must develop partnerships based on a true understanding of customer needs.

Sales and relationship-building skills, effective communication techniques, and an intimate knowledge of your bank's products and services all serve to establish and strengthen those partnerships.

But more is required of your origination team to successfully grow small business credit relationships. By adding a basic knowledge of business lending, the team will have what it takes to develop even stronger, richer partnerships with small business borrowers.

A fundamental understanding of business lending gives your origination team the tools to:

- *Have confident, credible conversations with small business owners about credit.* Substantive conversations around credit issues result in a deeper understanding of a borrower's needs, a better presentation of credit solutions, and improved communication of credit decisions—all three of which help to build, strengthen, and retain customer relationships.
- *Obtain accurate and thorough information required by your lending team.* With the right information gathered from the start, lending efficiency and productivity are greatly improved, as is communication between your origination and lending groups, saving your bank valuable analysis and underwriting time.
- *Develop a more profitable, lower risk small business loan portfolio.* By understanding key credit issues, your sales team can accurately assess the viability of small business borrowers and focus only on the ones that are bankable, increasing your earning potential and decreasing the risk of problem loans showing up on your books. These include an understanding of the forms of business origination, why businesses borrow, business financial statements, and common loan structures.

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What's Required on the Credit Side

To seize small business loan opportunities and turn them into profitable portfolios, your risk management team must develop a high level of competence with regard to your organization's credit standards and practices. Lenders must then apply those standards and practices in all of their analysis and decision-making activities.

Your bank can achieve these objectives by:

- *Establishing lending consistency.* To effectively assess risk, make decisions, and manage small business credit relationships, lenders must adhere to a shared set of consistent, reliable risk management techniques. Risk decision-making must be approached as a process that begins with identifying the opportunity and continues through repayment analysis, loan management, and risk monitoring.
- *Diagnosing your lenders' skill and knowledge deficiencies.* A credit skills assessment is the first step to bringing your lending team

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up to a high level of consistent performance. This tool identifies individual lenders' skill gaps and pinpoints skill-building opportunities based on your organization's benchmarks for lender performance. A well-designed credit skills assessment ensures that lenders only take training programs they need, maximizing their speed to proficiency and your bank's training investment.

- *Strengthening your lenders' credit skills.* Based on the results of the credit skills assessment, training should be provided to your lenders so their skill gaps are closed and individual competency levels are raised to the same standard. Training should focus on the risk management techniques your bank wants to become regular practice. It should stress analyzing underlying risk drivers and practical application so your lenders learn how to structure deals that meet your small business customers' needs, minimize risk, manage the relationships, and help drive your bank's measures of success.
- *Ensuring your lenders are using their new credit skills and knowledge.* Establishing consistent lending standards and practices, and training your lenders on how to apply them, does not ensure their application each and every time a credit decision is made. Regular, one-on-one coaching is necessary to reinforce the credit skills taught and to confirm that they are actually being used by lenders in their day-to-day risk management activities. Coaching provides lenders with a system of clear expectations and accountabilities that motivates them and improves their performance for the long term.

Two Sides of the Same Coin

By combining some basic credit knowledge with high-level sales and relationship-building skills, your origination team will be positioned to interact more effectively with small business borrowers. By training and coaching your lenders in the use of consistent risk management techniques, your credit team will be prepared to make sound credit decisions that yield long-term, profitable results.

Together, these sales and credit strategies help put your bank steps ahead of the competition when going after the small business market.

The opinions expressed in this article are solely those of the author. Joe Sparacino is a sales manager with Omega Performance, an ACB business partner.

Omega Performance is a global training and consulting firm that specializes in helping to increase the profitability of financial services institutions by improving the performance of their people. It offers training and consulting designed to help balance credit and risk opportunities, build effective sales and service skills, and attract and retain profitable customers.

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