Whitepaper

Mastering the Art of Relationship Management

In this whitepaper, learn about the transformative impact of strategic relationship management and technology in commercial banking to:

- **Streamline processes and personalize customer service**
- **Enable relationship managers to foster stronger, more successful client connections**
- **Overcome compliance and talent recruitment challenges**

Relationship managers continue to play a vital role in the banking industry, even with the emergence of technologies like generative AI and the shift to a more remote, digital-first selling environment. In commercial banking, relationships matter more than ever, so getting back to the basics of relationship management is the only way to attract, serve, and retain customers.

The problem is the basics have changed.

Consumer expectations have been influenced by Google and Amazon. Customers still want to work with someone they like and can trust, but they are also looking for financial institutions to innovate and connect with them in new ways. Regardless of the economic environment and whether interest rates are up or down, the banks that take steps to empower their relationship managers to find creative solutions and perform at a higher level will gain (and maintain) a competitive advantage that will be tough to beat.

There is no silver bullet for today's relationship managers. Even with technologies like AI, good banking still relies on good people. Technologies help relationship managers find efficiencies, so they can spend more time building connections and creating meaningful experiences for their customers. The best relationship managers are seen as consultative and strategic, adding value to both the customer and the bank's performance.

To get back to the basics of relationship management, financial institutions must fuel their relationship managers to thrive in any economic cycle. They must: 1) invest in strategies that create more meaningful, tailored customer interactions, and 2) be intentional about their digital transformation, *or dare we say, digital evolution.*

> *"Your customers want to work with someone they like and trust, but they're also looking for financial institutions to connect with them in new ways.*

Fueling Consultative, Strategic Relationship Management

A strong relationship manager is a jack of all trades, understanding banking and their financial institution's products and services.

They should focus most of their time on worthwhile activities differentiating the bank's services and driving revenue, like serving as a trusted advisor for commercial customers or identifying other new business opportunities.

However, what separates a good relationship manager from a great relationship manager is their knowledge of the customer (and the industry they operate in) as well as their ability to think outside of the box to help those customers connect the dots.

For relationship managers to perform at the highest level, leaders at financial institutions should assess how easily these front-line team members can anticipate and proactively address customers' needs in a tailored way. And, determine if they can do so with confidence. After all, commercial customers expect their bank to help their business succeed financially and stay competitive, even amid changing market dynamics.

Curate Coverage Structures

To proactively respond to a customer's evolving needs and unique business objectives, relationship managers must possess industry-specific knowledge and be able to translate that knowledge into tailored recommendations for the customer's leadership team.

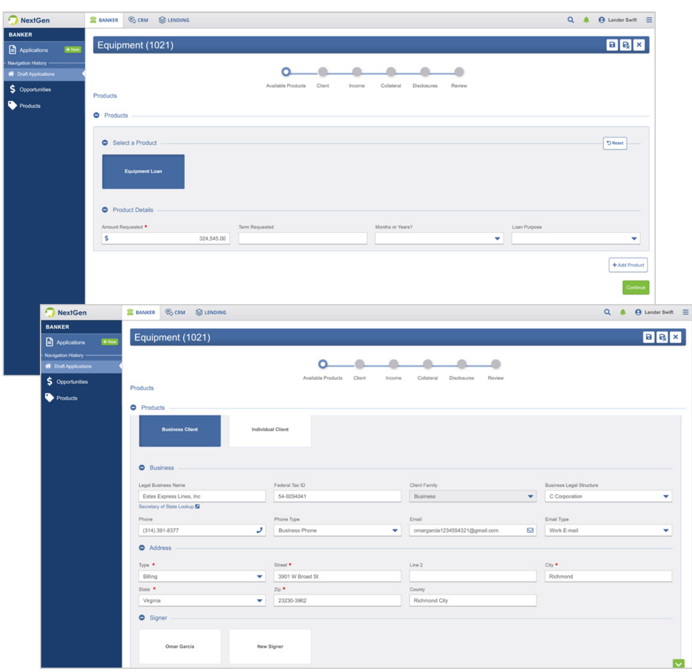
While digital tools and data analytics can support this, technology alone cannot replace the power of a truly informed relationship manager. One way to hone sector-specific knowledge among relationship managers and foster more curated, personalized customer interactions is by organizing a bank's coverage teams according to distinct industries. This helps provide an effective forum for professional development and continuing education.

For example, a regional bank may structure its relationship managers into teams dedicated to related industries, such as healthcare, pharmaceuticals, and insurance in one department and energy, transport, and utilities in another.

- **Specialization supports more personalized solutions for customers. It also paves the way for knowledge sharing and finding ways to adapt or structure deals to meet the needs of other customers with similar needs or business models.**

Focus on Proactive Planning, Not Predicting

When financial institutions deeply understand a customer's business and their market, it is much easier for relationship managers to focus their advice, anticipate, and plan for different scenarios. While no one can predict the future, economic trends and forecasts can and should inform strategic planning to an extent, which is an area where an experienced relationship manager shines. During times of economic volatility or interest rate uncertainty, these team members can help customers and prospects identify ways to reduce business risk and increase profitability.



Baker Hill's lending solution is designed to help financial institutions streamline the loan origination process.

For instance, if rates were higher or lower by 190bps, what would happen to the customer's business? Would their liquidity change? How would the customer's cash flow and income be impacted?

- **Relationship managers can position themselves as trusted advisors amid any economic environment by analyzing key details about a customer or prospect's business against reliable market expectations**

Bank on the Right CRM

In addition to the tactics mentioned above, some financial institutions may invest in technologies to equip relationship managers to better respond to the needs of customers and prospects. This is where a CRM system can provide immense value.

A centralized database of readily available key customer and prospect information helps relationship managers pinpoint new opportunities and manage current relationships more effectively. However, many banks either do not use a CRM system or underutilize it, especially if it's an overly complex solution that is not intuitive or designed for relationship banking.

Leveraging a CRM system designed specifically for bankers is key, as this encourages strategic sales planning across lines of business, allowing the coverage team to nurture relationships with top customers and flag any high-risk customers or portfolio segments. An integrated CRM will also align a bank's relationship managers and key stakeholders on the sales pipeline, client treatment strategies, referrals, and more. This makes it much easier for bankers to identify ways to maximize customer relationships and anticipate their needs in the future.

- **The right CRM system can help transform a good relationship manager into a great one, but it's not the only impactful tool a bank can use to power its potential.**

Be Intentional About Digital ~~Transformation~~ Evolution

As more financial institutions continue their digital transformation journeys, it’s important to be intentional about IT investments and focus on solutions that help relationship managers attract, serve, and retain customers. However, the financial institutions that will have the competitive edge are those that also understand the importance of continuous change and invest in solutions that help them evolve for today and tomorrow.

To be intentional about digital transformation and any IT investments your relationship managers and other team members may use, consider the following questions when evaluating the solution:

- **Will it enhance our customer relationships?**
- **Will it enhance our relationship manager’s work life and their performance?**
- **Will it evolve with the future needs of our customers (and relationship managers)?**

When evaluating new technology for relationship managers and commercial lending operations, financial institutions must also understand where there is friction, both for their team members and for the customer or prospect.

By pinpointing the biggest pain points in the sales and commercial lending process, banks can prioritize their investments and change management efforts on the workflows that need it most.

Find & Fix the Points of Friction

The many steps in a commercial lending lifecycle—more often than not—are manual, redundant administrative tasks that limit a relationship manager's ability to push deals through and serve customers efficiently. And in commercial lending, the ability to close a deal and do so quickly is a major advantage. Understanding common hurdles facing relationship managers and commercial customers is the first step toward eliminating those challenges and establishing a streamlined process that works better for all parties involved in a deal.

What are the four most common challenges for today's relationship managers?

1 Time-Consuming Administrative Tasks

Even if you've cultivated a strong, trusting partnership with a customer, an inefficient commercial lending operation can cause headaches. There are many steps involved in credit decisioning, deal structuring, and supporting operational processe, and—if things go wrong—it's stressful for everyone.

A relationship manager may go out of their way to cultivate a potentially valuable customers, but disjointed systems and inefficient bank processes can cause relationships to deteriorate into repeat phone requests for information needed to complete loan requests. Even minor inefficiencies during the commercial lending process can delay approvals and add costs to service the loan, weakening the strongest customer relationships. Banks should consider where relationship managers spend time on manual tasks that could be automated. Where is loan origination data entry most redundant and time-consuming? Is collecting and filing physical documents as efficient as possible? Are relationship managers burdened to follow up and track down these important items from customers?

- **The fix? Identifying the bottlenecks in the lending process is the first step to resolving them, and process automation can help streamline many of these inefficient workflows, including credit memo creation.**

To resolve bottlenecks that delay loan requests, you must first Identify them, and process automation can help streamline many of these inefficient workflows, including credit memo creation. At many banks, creating credit memos is a time-consuming, inefficient process that requires rekeying in data from disjointed systems.

It's common for lenders to re-enter data points five times or more when creating a credit memo. If relationship managers struggle with this area of loan origination, consider a solution that automates tax return and financial statement processing, as well as generates dynamic credit memos according to each loan request's complexity. This means opportunities can be analyzed and decisioned more quickly, consistently, and accurately.

With complex commercial deals, financial statements, tax returns, and even legal documents may also be required to originate a loan request. Instead of tasking relationship managers to hunt down these documents, a communication portal can make this process much easier, even for a customer's business partners, such as their accountants and legal counsel, who can be authorized to upload documents or share information with the bank. These secure channels also give customers greater transparency about the status of their loan request or what may be required to complete the next step.

When relationship managers spend less time and energy on tasks that can be automated, they can focus on higher-value activities, like deepening engagement with existing commercial customers, networking, building a strong sales pipeline, and pushing new deals through faster.

2 Compliance Complexities Abound

Another pain point that relationship managers often struggle with is compliance and keeping up with evolving regulatory requirements. In fact, many organizations are concerned about the financial cost of compliance.

A lack of automation is one major barrier, according to a recent survey by **Alloy**. The survey revealed financial services companies spend the most time on compliance; 23% revealed that customer due diligence was the most time-consuming, and another 15% reported that audits and risk monitoring take the most time. Policy reviews and revisions, as well as document reviews, also took up significant time.

Collecting the required loan documents to ensure compliance when pushing a business deal through is a common obstacle. Meanwhile, commercial lending customers are understandably more focused on running their business, not sending documents to their bank.

- **The fix? Automation can mitigate the inconsistency and delays of manually collecting financial documents and other mandatory customer information, especially for annual reviews and renewals.**

With automation, notifications can be triggered to go out if the appropriate documentation is not collected in a timely manner or if certain covenants are not met. Similarly, once a loan is booked, the latest portfolio monitoring tools can continuously analyze behavior across the entire portfolio and automatically alerts the financial institution's team when an account needs attention. This eliminates the need for traditional paperwork to show signs indicating a change in credit health. As a result, banks and their relationship managers can anticipate potential borrower challenges and take action before losses occur.

3 Formalized Credit Training Is Rare

Great relationship managers are typically well-versed in corporate finance and understand the basics of credit and credit risk, capital markets, treasury, and money markets—to name a few. They also need to know about their banks' product offerings, which products a customer is using or is likely to use in the future, the market the customer operates in, their business model, and much more.

Relationship managers also need soft skills, including people management, negotiation, and sales, and the ability to work well under pressure.

Ultimately, the relationship manager is typically on the hook if a deal falls through or a customer is unhappy. In previous decades, many financial institutions offered formal credit training, given relationship managers' important role. But today, formalized credit training programs are rare unless a bank is willing to invest in additional education through a credible association or maintain a program internally within their institution, which can be a huge lift and require additional resources.

4 Approaching Retirements & Ongoing Talent Shortages

Not only is there a lack of training opportunities, but there's also a growing shortage of experienced talent. Many seasoned bankers and relationship managers are approaching retirement. Forty years ago, more than [60% of the workforce] was made up of people under the age of 40. Today, this age group represents just 45%, and the number of employees over 60 has doubled—meaning the workforce is older than ever.

As the average age of bank employees continues to rise, financial institutions will soon need to replace employees with decades of specialized knowledge and lending expertise. This will be no easy feat, as recruiting talent has been challenging for institutions of all sizes, especially since the pandemic. According to the 2023 ***What's Going on in Banking*** study from Cornerstone Advisors, nearly nine in 10 banks still experience challenges hiring staff or retaining personnel—if not both.

- **The fix? Given the struggle to attract, train, and retain talent, banks should carefully consider their brand as an employer beyond the compensation packages and benefits offered. Financial institutions should also focus on their organizational culture, career advancement and upskilling opportunities, and the overall employee experience, especially as many bankers approach retirement.**

Consider where internal knowledge can be institutionalized to support current and future employees. Many banks likely have a few superstar relationship managers who are experts on the products and specific key markets based on years of experience. For example, one relationship manager may be knowledgeable about construction loans, while another may be an expert in agricultural lending.

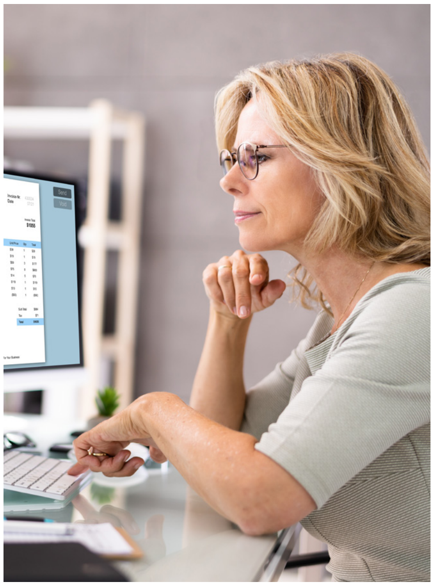
However, when these high-performing employees move on or retire, you don't want to lose that information with them. A strong commercial lending solution can preserve their knowledge and ensure it's available for the next generation of relationship managers. In the meantime, a reliable knowledge base will also help with staff training, internal organization, and record keeping.

Win More Deals

While rates and service quality matter, commercial customers want someone who can solve their problems—whether it's a funding problem, concerns about risk, or a compliance issue. Relationship managers must be knowledgeable enough to obtain the right information from the customer and loop in the appropriate team members within the bank to address their needs effectively.

The reality is relationship managers need more time to study their clients' industries, develop creative solutions, and build authentic relationships. The good news? Financial institutions can empower their relationship managers (even those with less experience) with the right policies, processes, and technologies. But there's a question you need to ask yourself:

Is my institution doing everything it can to empower our relationship managers for success?



Why Choose Baker Hill NextGen®

A commercial lending software solution like Baker Hill NextGen® has functionality and features to help you:

- **Identify new opportunities** and only gather the required applicant data using digital workflows, streamlining the entire process for both the customer and employee.
- **Build strong relationships** in your community by reducing the administrative burden of relationship managers.
- **Impress customers** with seamless application process through underwriting to post-close.

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