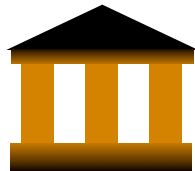


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# BEST-PRACTICES IN SME BANKING

*An Intensive 4 or 5-Day Seminar About  
How Leading Banks Develop, Organise & Manage Their SME Business*

**“Increasing Bank Profitability at Acceptable Risk”**



***Batt-Consulting***

MANAGEMENT CONSULTANTS & TOP TEAM TRAINERS  
FOR THE LEADERS OF BANKS

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## OBJECTIVES OF THE SEMINAR

The main objective of this seminar is to review the best-practice approaches of leading banks around the world to SME banking and to discuss the implications for participants' banks:

1. To understand the large sizes, major contributions and growing financial services needs of SME markets and the opportunities these developments present to banks
2. To explore the business strategies that leading banks adopt for their SME markets in terms of sub-segment and product priorities, channels, selling and credit policy
3. To examine best-practice support strategies for SME banks, covering organisation structure, credit processes, operations, IT, HR, planning, budgeting, financial control
4. To assess ways that participants' banks could improve their approach to SME banking, its profit performance, and the steps needed to implement necessary changes

The seminar supports Batt-Consulting's series of 8 seminars designed to cover all important elements of bank strategy.

## SEMINAR THEMES AND SUBJECTS

The seminar is about the best-practices adopted by leading banks to serve the SME market in a way that is both helpful to customers and highly profitable to the banks themselves. It covers the following themes and subjects:



### THEME 1: Trends in SME Banking Markets

In most countries SME's already make major economic and social contributions. They provide goods and services that are essential for modern living, employment, and tax revenues. They also stimulate innovation and encourage competition. Many governments want, and expect, these contributions to become even more important. Some are providing educational and financial support to their SME's. As a result, a growing number of banks are giving more attention to SME's and taking special steps to serve this important market well and profitably.

- One challenge is often poor definitions of SME's which can result in banks being unsure about where to focus and governments unclear about how to help
- A related challenge is the lack of data about the size, growth, composition and needs of the SME market. This can cause banks to underestimate its size and profitability

### THEME 2: Effective Marketing & Selling to SME's

The best SME marketing strategies are clear about which SME sub-segments to target, and they set priorities for selling dozens of credit and, importantly, non-credit products. They exploit opportunities to package, brand and price products and to launch special branches for SME's. On the selling side, leading banks are making sure that much time is spent selling to SME's by direct sales teams, SME business centres and area sales offices, tele-selling, direct mailing and websites. They have turned SME sales campaign management into a science.

- More banks will focus on SME's and add many more products, especially non-credit products, packages and a rich combination of business and support services
- The best banks sell at least 4 - 5 products per SME, on average. They know that cross-selling drives up profits and, more importantly, that it increases profitability

### THEME 3: Organising for Profitable SME Banking

Leading banks have already established a separate unit for their SME business. These units are "profit centres" with their own balance sheets and profit & loss accounts. They contain all the functions that are essential: a network of special branches ("business centres"), mobile sales teams, product managers, credit officers and other key support functions such as planning, control, HR and IT. These units are sometimes part of the corporate or retail banking division but, better still, they are a separate division alongside corporate and retail banking.

- Best-practice SME banks separate responsibilities for selling and credit risk management. Sellers sell and do not have credit authority. Credit officers do not sell
  - Intensive selling to SME's necessitates good relationship management but the approach must be much more cost-effective than that affordable in corporate banking
-

#### **THEME 4: Safe Credit Policies for Growing SME Lending**

SME credit risks present challenges which are very different to those in retail and corporate lending. The profits and risks are different. The best SME banks recognise this and have separate credit policies for SME's. They also have special credit processes that include credit scoring and expert systems for credit appraisal, target risk-adjusted pricing of loans, on-line loan applications processing, advanced early warning systems such as behavioural scoring, and a variety of modern methods in remedial management and recoveries work.

- *Two common challenges are that SME's often do not know how to approach banks for credit and banks are afraid to advance credit to SME's - they fear the risks*
- *A big mistake is to handle SME loans in the same way as large corporate loans. Lending has to be much more cost-effective because individual credits offer less profit*

#### **THEME 5: Planning & Controlling SME Business**

SME's fall into sub-segments with very different levels of profitability. Just one key difference is that some SME's mainly need credit while others are deposit-rich and want a range of liability and business services. These differences have stimulated the best banks to develop distinctive strategies for SME sub-segments. These are reflected in sub-segmented action plans, budgets and financial control reports all of which focus on key performance indicators (KPI's) that are crucial to running a profitable SME business, for example, cross-selling ratios.

- *The majority of banks still have old-fashioned planning, budgeting and control systems which do not separate the performance of different segments, including SME's*
- *World-class planning & control systems are segmented and focus on the KPI's, for example in SME banking, cross-selling ratios, income per seller, and ROC*

#### **THEME 6: Priorities for Progress in Participants' Banks**

The seminar provide an opportunity for participants to clarify the issues that their banks face and to assess priorities for developing SME business. The issues and priorities might include some or many of the following: which marketing strategy to pursue, which products to sell, which delivery channels to deploy, how to intensify selling, which credit policy and processes to adopt, how to reorganise their banks to serve SME's better, which IT applications to exploit, and how to strengthen the skills needed for achieving best-practice levels of SME banking.

- *Leading banks refocus and accept that high profit from SME's demands more than lending. Deposit, payment, investment, business and support services are also key*
- *These banks also recognise the need to deploy sales and delivery channels especially designed for SME's. Channels must be convenient and cost-effective*

## **TARGET PARTICIPANTS**

This seminar is for top executives of banks, senior managers who are expected to reach this level soon, and those who support directly the top management teams of their banks:

- Chairmen, board directors, chief executives, general managers and members of top executive committees
- General managers, executive vice presidents, executive directors responsible for "profit centre" divisions and subsidiary companies involved in:
  - SME, commercial and corporate banking, and micro-financing
  - Personal ("retail" or "consumer"), premium and private banking
  - Treasury and financial services such as payments, leasing, factoring, investment and insurance
- Senior executives responsible for support divisions, including those involved in:
  - Marketing and sales support
  - Strategic planning and operational planning
  - Budgeting and financial control
  - Credit and other types of risk management

The programme is particularly relevant to banks that wish to build a large and successful SME banking business.

## **SEMINAR STYLE**

The seminar is intensive and participative. Various methods are used:

- Formal presentations, including many real case histories, with discussions
- Case studies and "question and answer" plenary discussion sessions
- Syndicate discussion group sessions followed by presentations developed by participants

Presentations are delivered in English with simultaneous translation, if required.

## SEMINAR TIMETABLE

The seminar is normally 4 or 5 days long but it can be shortened. Timetables for the 5 and 4-day versions are shown below. Subjects given less time in the 4-day version are marked with stars \*\*:

	DAY	SESSION	SUBJECT
1	am	1	Presentation Seminar Introduction: "Best-Practices in SME Banking"
		2	Presentation <b>Theme 1: Trends in SME Banking Markets</b> The Nature and Important Contributions of SME's
		3	Group Work Defining Micro, Small & Middle-Size Enterprises
		4	Presentation World-Class Standards of SME Banking
	pm	5	Presentation <b>Theme 2: Effective Marketing &amp; Selling to SME's</b> SME Products, Business & Support Services from Leading Banks
2	am	6	Group Work SME Product Development Priorities for Participants' Banks
		7	Presentation Case Histories: Successful SME Marketing Strategies
	pm	8	Group Work Segmenting SME Markets
		9	Case Work Formulating a Winning SME Marketing Strategy
3	am	10	Presentation Case History: How One Bank Intensified Selling to SME's
		11	Case Work Intensifying Selling & Cross-Selling to SME's **
	pm	12	Presentation <b>Theme 3: Organising for Effective SME Banking</b> Modern Sales Channels for SME Banks
		13	Group Work Building a Successful SME Banking Division
4	am	15	Group Work <b>Theme 4: Safe Credit Policies for Growing SME Lending</b> The Challenge of Assessing SME Credit Risk **
		16	Presentation World-Class SME Credit Risk Management
	pm	17	Case Work Risk-Pricing of Loans to SME's
		18	Presentation How One Large Bank Strengthened SME Credit Management
5	am	19	Group Work <b>Theme 5: Planning &amp; Controlling SME Business</b> Key Performance Indicators - KPI's - for SME Banking
		20	Presentation Focusing Bank Planning & Control Systems on to SME's
		21	Case Work Measuring the Profitability of SME Customer Relationships
	pm	22	Group Work <b>Theme 6: Priorities for Progress in Participants' Banks</b> Development Priorities for SME Banking in Participants' Banks
		23	Plenary Session Seminar Summary: "Best-Practices in SME Banking"

5  
Days

	DAY	SESSION	SUBJECT
1	am	1	Presentation Seminar Introduction: "Best-Practices in SME Banking"
		2	Presentation <b>Theme 1: Trends in SME Banking Markets</b> The Nature and Important Contributions of SME's
		3	Group Work Defining Micro, Small & Middle-Size Enterprises
		4	Presentation World-Class Standards of SME Banking
	pm	5	Presentation <b>Theme 2: Effective Marketing &amp; Selling to SME's</b> SME Products, Business & Support Services from Leading Banks
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		12	Presentation Modern Sales Channels for SME Banks
4	am	13	Case Work <b>Theme 4: Safe Credit Policies for Growing SME Lending</b> Risk-Pricing of Loans to SME's
		14	Presentation World-Class SME Credit Risk Management
	pm	15	Presentation How One Large Bank Strengthened SME Credit Management
		16	Group Work <b>Theme 5: Planning &amp; Controlling SME Business</b> Key Performance Indicators - KPI's - for SME Banking
5	am	17	Presentation Focusing Bank Planning & Control Systems on to SME's
		18	Case Work Measuring the Profitability of SME Customer Relationships
	pm	19	Group Work <b>Theme 6: Priorities for Progress in Participants' Banks</b> Development Priorities for SME Banking in Participants' Banks
		20	Plenary Session Seminar Summary: "Best-Practices in SME Banking"

4  
Days

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## SEMINAR LEADERS

Each of the seminars from Batt-Consulting is designed and led by one or more of the firm's senior consultants. These professionals have:

- Held top positions in 15 banks based in Europe, the USA, Latin America, the Middle East and Asia Pacific
- Worked for other leading management consulting firms
- Led hundreds of workshops & seminars for individual banks

They have also spoken regularly for banking institutes, central banks, universities and other providers of bank training.

### SOME OF OUR INTERNATIONAL SEMINAR LEADERS AND SENIOR BANK CONSULTANTS

#### Christopher Batt

**Profile:** Acknowledged as a top adviser to the leaders of banks about strategy, reorganisation and best practices. An experienced banker, credit card expert and strategist. Consulting to over 140 banks in more than 50 countries. Designer and leader of workshops and seminars for the main boards and top executive teams of banks around the world.



#### Top Banking Positions:

- Jordan Ahli Bank in Jordan - Chief Operating Officer = CEO, reporting to the Chairman of the Board
- Visa International in the USA - Member of Visa's top Executive Committee, Head of Global Strategy
- Grindlays Bank in the UK - GM of Specialised Finance
- NatWest Bank in the UK - Group Planning Manager

**Consulting Experience:** McKinsey & Company, Booz Allen & Hamilton, A.T. Kearney and Spicers Consultants.

**Specialisations:** Strategy formulation, strategy implementation, reorganisation, marketing, selling, credit management and ALM.

**Qualifications:** University of Cambridge, University of London, Fellow of the UK's Chartered Institute of Bankers in recognition of status in UK banking and training services to senior bankers.

#### Paul McInerney

**Profile:** Wide-ranging & top-level consulting and training for many banks across Europe and Middle East. Concentration on personal, premium, private & SME banking. Experienced banker and authority about "innovation management" in banking.



#### Top Banking Positions:

- Lloyds Bank
- TSB Bank
- Bradford & Bingley

#### Consulting Experience:

- Henley-Incubator at the Henley Management College
- NML Consulting

**Specialisations:** Strategy, marketing and organisation for retail, premium & SME banks; management of branches, sales & credit.

**Qualifications:** Henley Management College, Cranfield Business School, Associate of the UK's Chartered Institute of Bankers.

#### Michael Green

**Profile:** A top international banker and an internationally-renowned authority about risk management in banking. Accomplished expert in the design and implementation of fundamental strategic change and in the upgrading of corporate governance and risk management by the main boards and top executive teams of banks in Asia-Pacific, Europe and the Americas.



#### Top Banking Positions:

- Barclays Bank - Chief Operating Officer, Group Risk (worldwide role)
- Standard Chartered Bank - Main Board Director, Risk, Operations & Technology (worldwide roles)
- National Australia Bank Europe, covering Clydesdale Bank and Yorkshire Bank - Head of Risk
- ANZ Banking Group in Australia - GM of Retail Risk
- Lloyds Bank: UK Chief Lending Officer, Brazil, Japan, Singapore, Spain

**Specialisations:** Strategy formulation, strategy implementation, corporate governance, risk management and reorganisation.

**Qualifications:** Oxford University, INSEAD. Diploma in Company Direction (governance) from the UK's Institute of Directors.

#### Chris Churchill-Coleman

**Profile:** Leading adviser about IT to the leaders of banks across the UK, USA, Europe, Middle East and Africa. Expert in internet & mobile banking and major IT systems changes, including core IT systems replacements. An experienced banker.



#### Top Banking Positions:

- Abbey National Bank
- Cahoot (internet bank)
- Nationwide (mortgage bank)

#### Consulting Experience:

- Open Text
- The Prism Group

**Specialisations:** Bank strategy, IT strategy, internet banking, mobile banking, core IT systems replacement.

**Qualifications:** University of Leicester, an Associate of the UK's Chartered Institute of Bankers, a UK Chartered Treasurer.

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## A SERIES OF 8 LINKED SEMINARS

The seminar described in this brochure supports a series of 8 linked seminars about bank strategies developed for the top teams of banks around the world.

These progressive banks are keen to understand the type of strategies and best practices followed by “world-class” banks. To assist, our firm has developed the seminar series shown below. The seminars:

- Focus on issues that banks most frequently ask us to help resolve, both as consultants and seminar leaders
- Are integrated and fit together well
- Concentrate on practical implementation

The series covers all key aspects of running banks successfully in competitive markets.

Many banks ask us to lead all 8 seminars over a year or so. Other banks choose a selection of seminars that focus on areas of particular interest:

### THE OVERVIEW SEMINAR

#### Increasing Bank Profitability at Acceptable Risk

#### FOCUS ON BUSINESS STRATEGIES

“World-Class”  
Marketing & Selling

“World-Class”  
Credit Risk Management

“World-Class”  
Asset & Liability Management

#### FOCUS ON SUPPORT STRATEGIES

Reorganising & Reengineering  
for Higher Profits

Extracting Maximum Value from  
Information Technology

Managing & Motivating  
the Workforce for Excellence

#### FOCUS ON STRATEGIC PLANNING & ACTION PLANNING, BUDGETING & FINANCIAL CONTROL

Best Practice Bank  
Planning & Control Systems

The first seminar is the introductory programme which:

- Examines all elements of bank strategy
- Shows how they can lead to greatly increased bank profitability and acceptable risks, if they are formulated carefully, coordinated tightly and implemented well

This introductory seminar is followed by the others that go into more detail about key business strategies, crucial support strategies and best practice planning & control systems.

Separate brochures describe each seminar. The content of the seminars is adjusted to meet the needs of individual banks. This “tailor-making” of the seminars is handled by discussion before the seminar series begins.

*As management consultants, we help banks to resolve their most important strategic issues. As a result, we know which seminar subjects are of greatest interest to top bankers in different types of bank and country. We develop seminars that are relevant, stimulating and fresh.*

*Because our consultants have held top positions in leading banks around the world, they have the experience necessary to judge which approaches to strategy and management are practical and will be successful. These judgements are built into the seminars offered by our firm.*

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## ABOUT BATT-CONSULTING

Batt-Consulting is a specialised, top level management consulting and training firm that works, world-wide, with banks and other organisations active in the financial world.

*The firm is based in the United Kingdom with consultants in the UK and Czech Republic. It was established in 1990 to provide top level consulting and training to banks with an emphasis on profit improvement, business and support strategy, risk management and reorganisation work.*

*The firm's senior consultants have all held senior positions in banks. The majority have worked for other prominent management consulting companies. Over their careers as both bankers and consultants they have served more than 150 banks in over 50 countries.*

## Services Provided

The main mission of Batt-Consulting is to help banks increase profitability at acceptable levels of risk. This means resolving complex issues that relate to:

*Overall Bank Strategy  
Domestic Strategy  
Marketing, Product & Delivery Channels Strategy  
Credit Risk Policies & Processes  
Organisation Structure Design & Implementation  
Management Process Reengineering  
Information Technology & Internet Banking  
Planning & Control Systems*

*Corporate Governance  
International Strategy  
Selling Intensity & Methods  
Asset & Liability Management  
Treasury Strategy & Organisation  
Operations Strategy & Reengineering  
Human Resources Management  
Management Information Systems*

The firm provides three types of service:

*Management Consulting .....  
Best Practices .....  
Education .....*

*Designing and Leading Strategic Projects  
Helping Banks to Reach "World-Class" Standards  
Leading Top Management Workshops & Seminars*

## Consulting & Best Practice Clients

Our consulting and best practice clients are the owners and leaders of banks and other financial institutions, both small and large. Some are famous internationally. Others are leaders in their own local markets. Most importantly, we serve:

*Commercial Banks  
Savings Banks  
Mortgage Banks  
Co-operative Banks  
Private & Premium Banks  
Financial Services Groups*

*Investment Banks  
Merchant Banks  
Asset Management Firms  
Stock Brokers  
Central Banks & Regulators  
Insurance Companies*

## Education Clients

Batt-Consulting serves four types of education client:

***Individual Banks.** We help banks' top teams keep up-to-date with bank strategies and methods by designing and leading short, intensive, in-house workshops & seminars.*

***Banking Academies and Institutes.** For these we design and lead public training meetings for senior bankers.*

***Sponsors of Bank Education,** including banking schools, central banks, bankers' associations and universities.*

***Providers of IT to Banks.** These organisations ask us to brief them about banking strategies to help ensure their own services are correctly focused.*

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