Performance & Pay Part 4: Trends in branch sales positions

Fourth in a five-part
HR series from Crowe Horwath

By Jason V. Bomers, Patrick J. Cole, SPHR, and Timothy J. Reimink. For more about the research project that articles in this series came from, and about the authors, please see the
end of this article.

The most recent Crowe Horwath LLP Financial Institutions Compensation and Benefits Survey reflects the changing nature of financial institutions' branch operations. The Crowe survey collected data on all branch-level positions, from branch managers to tellers. This article focuses on branch management and sales positions including:

- • Branch manager I (oversees fewer than 6 branch employees)

- • Branch manager II (oversees 6 to 15 branch employees)

- • Branch manager III (oversees more than 15 branch employees)

- • Assistant branch manager

- • Personal banker

- • Customer service representative

- • New accounts representative

By comparing the staffing and compensation levels that were reported for these positions in the 2012 survey with those recorded in 2008, it is possible to see the effects of the 2008-2009 credit crisis and subsequent recession.

In addition, this comparison demonstrates how these positions have been affected by recent advances in banking technology, which are driving some fundamental changes in the types of transactions and activities that are carried out at the branch level.

Trends in branch staffing

The demise of branch banking has been predicted for some time. But the Crowe survey shows little evidence to support that forecast.

While staff size and number of branches were generally larger in 2012, average total asset size was slightly smaller. This trend most likely reflects the effects of the recession, as older loans were paid off and not replaced with new loans.

For a larger version of the table, click on the image or click here.

As a result, banks have fewer earning assets to cover the costs of branches and employees, which can be seen in the dramatic drop of almost 24% in the ratio of total assets to staff. (As seen in the final row of data in Exhibit 1, above.)

In this environment cost containment is critical. Thus, salary and incentive increases have been held to very modest levels over the past four years, as is illustrated in subsequent exhibits. But this isn't the only reason for that reduction.

The survey responses also indicated a significant shift in branch staffing strategies.

Despite reporting larger staff sizes overall, the 2012 survey respondents reported 16% fewer personnel in branch management and sales staff positions.

In addition, a drop in customer service and new accounts positions was offset by a sharp jump in personal banker positions--a shift that most likely reflects changes in banks' customer service strategies.

In fact, as you can see in Exhibit 2, below, every position in this part of the survey showed a drop, except for personal banker.

For a larger version of the table, click on the image or click here.

Trends in branch sales staff compensation

Base pay for branch management and sales positions increased modestly from 2008 to 2012, growing by an average of 2.1% per year, with only slight deviation among the various positions.

For a larger version

of the table, click on the image or click here.

Incentive pay, on the other hand, actually decreased
slightly, overall, from 2008 to 2012. Managers of midsized branches and
personal bankers sustained the greatest loss.

However, two job categories stand out from the trend.
Managers of large branches generally enjoyed a healthy increase in incentive
earnings.

For a larger version
of the table, click on the image or click here.

Taking a look at how incentives are distributed, the
percentage of branch management personnel who earned incentives declined from
2008 to 2012, while the proportion of nonmanagement sales positions earning incentives

showed a modest increase. (Note the 9% increase for new accounts representatives.)

In addition to reflecting the lingering effects of a down economy, this dichotomy also could reflect wider use of incentive pay as a reward for genuinely high performance-- and a reduced tendency to view incentive pay as an entitlement.

For a larger version of the table, click on the image or click here.

Broadly speaking, branch management and sales staff compensation reflected a general trend toward cost control, with staff numbers being reduced and pay increases held to a modest level.

Developing effective branch sales incentives

In coming years, as technology continues to change the nature of branch activity, financial institutions will need to modify their performance metrics to reflect new responsibilities and duties among branch sales personnel.

For example, as more and more customers open accounts online, traditional metrics such as new accounts opened might not be sufficient for determining incentives.

In this environment, financial institutions should perform a comprehensive review of their incentive plans annually. As they do, five general principles will provide a solid foundation for needed updates:

1. Make a direct connection between daily activities and payouts.

The most successful institutions follow a balanced scorecard approach, in which goals and key performance metrics are designed to encourage an entrepreneurial approach to branch management and sales.

2. Publish performance metrics regularly.

A leading practice among successful institutions is the publication of a weekly branch scorecard that tracks sales-oriented indicators, such as new loans, new accounts opened, and new credit card accounts opened.

The most effective branch managers will track these numbers daily and share them with branch personnel. They supplement these sales metrics with a monthly scorecard of broader indicators, such as total deposits, total loans, and other measures of overall branch performance.

3. Differentiate payouts between average and above-average performers by a meaningful amount.

Ideally, every person in branch management or sales has the opportunity to earn incentives, but not everyone actually qualifies. If everyone earns incentives, the definition of high performance is too low, and incentive pay will soon be viewed as an entitlement, rather than a reward for superior performance.

4. Make incentive opportunities greater than the smallest meaningful pay increase.

Research shows that the smallest meaningful pay increase--the amount needed to have a motivational effect--is 7%. Incentives that are smaller than this will have minimal motivational effect.

5. Use a combination of base pay, incentives, and recognition.

The survey reflects a smaller pool of dollars available for total compensation among branch sales staff. The goal should be to make sure those fewer dollars are spread among the truly high performers.

The success of a branch office depends in large measure on an active, sales-oriented branch manager backed by an engaged and energetic sales staff. These attributes must be encouraged and reinforced by meaningful incentives that are updated regularly to reflect the changing nature of branch operations.

Series highlights comp trends and strategies

Crowe Horwath LLP is proud to offer the results of its 2012 Financial Institutions Compensation Survey.

With responses from 405 financial institutions on 201 job positions, the 2012 survey offers details on the compensation and HR approaches for the entire banking enterprise. The analysis in this article and others in the series draws on results from past surveys as well to identify key industry trends in the following areas:

• Compensation, incentive pay, and benefit packages

• Salary increases and comparative analysis

• Employee turnover rates and hiring forecasts

• Cost-cutting strategies

• Board and director compensation packages

• Equity-based compensation

You can purchase a copy of the 2012 Crowe® Financial Institutions Compensation Survey. For more information read our executive summary.

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