

To Measure and Reward Accountability: *Sales performance management helps IBERIABANK enact change*

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Aligning Business and IT To Improve Performance

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In the course of our market research and consulting, Ventana Research occasionally encounters end-user organizations that have made breakthroughs in performance management. We solicit their participation in telling members of our research community about these efforts. With their approval, we create profiles that describe real-world examples of innovation in action. We hope that professionals reading them will find not only situations relevant to their own but also new ways of thinking about how to address the challenges they face in striving to improve their organization's performance.

To Reward Accountability

“Our industry historically has generated a long line of order-takers,” says Frankie Holton, referring to retail banking. Traditionally the operations of bank branches were reactive: Customers would come in and ask, for example, to open a checking account or apply for a car loan, and the bankers would take them through the procedures to accomplish that one task. Often the product they offered was limited and rigidly structured, and the customer had to take it or leave it.

In today's world of ubiquitous communications and global choices, where consumers can manage their own investments and move funds with a few keystrokes, mere order-taking can't compete for their business. Executive management at IBERIABANK, which has 87 branch offices serving the major markets in Louisiana and Arkansas, recognized this issue and in 2005 moved to change the way its branch network handles sales. One of the first steps was to hire Holton from a competitor, where she oversaw a proactive approach to sales management. That bank used a homegrown system to calculate incentives based on sales and to track the sales performance of employees in retail offices.

Holton is now IBERIABANK's executive vice president of retail sales, based at its headquarters in Lafayette, La. Arriving there, she saw a lot of work before her. “This bank had little sales culture,” she recalls. “There was no accountability [for employees supposed to make sales] and nothing in place that measured sales performance.”

Coming in, she says, her core assignment was “to hold bankers accountable for their sales results and to incent them for those results.” To achieve these goals would require a fundamental shift in how IBERIABANK's retail employees at all levels perceived and did their jobs.

Recovering Lost Time

Holton and her retail sales team soon launched an incentive program. But they found difficulty in gathering the data about sales activity and calculating the incentives because the bank lacked software designed for the task. They tried the only tool at hand, Microsoft Excel, but using it three analysts had to spend “two to three weeks each month just to do the data entry,” she says. In addition, this manual process produced mistakes; finding and correcting them required even more time. And the analysts had to be Excel experts to make changes to the calculations. In her previous job, Holton had a staff of two programmers who handled similar calculations, but hiring such high-priced talent was not an option here. So she recommended to top executives that the bank acquire a sales performance management (SPM) application that could store the sales data and automate the calculation of incentives.

This wasn't the only area where the retail sales group needed help. Management also wanted to begin measuring sales performance for employees individually and by job function. Here again, Holton proposed finding a software package that could perform functions of the homegrown system at the other bank.

In the past, IBERIABANK had relied on informal processes to manage the performance of employees. But recently the corporation made acquisitions that doubled the number of its branches, and the challenge of managing this growth made clear the need to track these factors systematically. Nevertheless, the idea of spending money on technology for performance management was a new concept for the bank, Holton notes, and approving it was a step forward.

Setting Goals First

Wisely, the team assembled to make the improvements did not begin by evaluating software products. Automating the incentive calculations was the immediate driver, but the retail division's ultimate goal was to change its culture to focus on sales. The key tool to promote that change, as Holton envisioned it, would measure accountability for all retail positions: tellers, bankers who sell products such as loans and investments, and branch managers.

Eventually, the system would appear as a scorecard to employees, and it took shape with input from those it would score. Holton decided to use focus groups and invited retail staff at all levels to comment on a rudimentary form of scorecard used at her previous bank. Response was positive and the discussion soon expanded as participants pointed out reasons to extend measurement to operational activities and customer service as well as sales. A teller's primary duty, for example, is to balance the money in the cash drawer against the record of deposits and withdrawals on a daily basis, so the scorecard should measure that as well as the sales opportunities in their customer interactions.

As the process continued, the focus groups embraced the mandate for accountability and "elected to make the

AT A GLANCE



IBERIABANK

Founded: 1887

Headquarters: Lafayette, Louisiana

Employees: 1,400

Project:

The retail banking division of IBERIABANK wanted to change its culture to enable it to be more proactive in sales. As part of that initiative, the division launched an incentive program and adopted Varicent SPM to calculate the incentives and to create a scorecard for managing the performance of retail employees.

Outcome:

- People: Employees understand better the reasons for the incentives they earn and their performance evaluations. Management can understand and respond to trends and motivate employees more effectively.
- Process: A formerly manual process of collecting data now automatically draws upon diverse sources and provides up-to-date information more frequently.
- Information: More comprehensive and reliable information is available. Management receives more complete reports, and employees view their incentives and performance ratings in an intuitive scorecard.
- Technology: Varicent SPM provides greater functionality for all aspects of incentive management. It facilitates creation of metrics and key performance indicators to track and improve performance.

Business Benefits:

IBERIABANK's retail division has reduced personnel costs by automating its incentive calculations and established a culture of accountability and personal initiative for employees. It is selling more products, especially the more profitable ones.

scorecard part of the monthly evaluation process,” Holton says. To fill in the details, the project team next interviewed representative holders of all retail jobs and devised for each category “a list of accountabilities that we wanted to hold people responsible for each month,” she explains. In other words, these would be the criteria on which management would judge their job performance. The result was a striking conceptual accomplishment, in her view: “We started with an idea but ended up with a broad-based measurement tool that covers all the bases.”

Only then was it time to select software. In the autumn of 2006, the team identified four prospective vendors, had them complete a questionnaire, interviewed them and invited two to demonstrate their products. It chose Varicent SPM, which offered both key components the bank sought: incentive calculations and scorecarding. “Originally we thought that we would have to do the scorecard manually, but Varicent’s application handles scoring and incentives,” says Holton.

Measurable Benefits

From January through March 2007, the implementation team and consultants from Varicent built the incentive calculations in the software, and in early April they rolled it out to 400 users. Automation through Varicent SPM quickly brought savings of time and labor costs to the calculation issue that initiated the project.

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of retail sales, IBERIABANK

Where it used to take three people two to three weeks each month to collect and input data and calculate incentives, now it takes one person about a day. “All we have to do is load the numbers and the software does all the calculations,” Holton reports. Two of the three people have been reassigned to jobs that contribute more directly to the bank’s earnings. “The software paid for itself by the number of employees we were able to reallocate,” she adds.

The implementation group also integrated Varicent SPM with IBERIABANK’s banking automation system from industry provider Jack Henry & Associates, into which employees enter all data about sales as they occur. “There is a direct link from that system to Varicent,” Holton explains. The information is transferred automatically and refreshed every night. An IT staffer is available if glitches occur, but Holton reports she rarely has to call on him. The connection “pretty much runs on its own,” she says. Varicent SPM also takes direct feeds from the Everest general ledger system, and IBERIABANK intends at some point to build a direct link between Varicent and its HR system as well.

The employees, too, see major changes, the most notable of which is that their performance is visible and tracked regularly. “In my experience, because the practice is manual, most companies only post incentives quarterly,” Holton says. “But now our bankers get held accountable and rewarded for all the components of their job every month.”

In effect, IBERIABANK has begun to pay for individual performance. Under the old method, everyone earned an annual bonus determined by how well the company did that year, the person’s position and his or her annual evaluation. Now the bonus is based on his or her scorecard ranking, and the employee receives an additional incentive of 10 percent of the value of the products that person sells in a month. Evaluation through the monthly scorecard reports has largely replaced the annual review process, says Holton.

Sales performance management is paying off in results for the bank as well. For example, in the last fiscal year the metric called “value of product sold per client” increased 25 percent, reflecting that employees are selling more of the products that generate greater revenue.

New Mindset Required

Another key benefit for IBERIABANK of adopting SPM is a dramatic increase in information available – about

products sold and their value and about individual and group performance – to both management and each banker. Here again accountability is the driving force, and everyone knows where they stand. “Nobody can hide,” Holton notes.

As part of the new sales focus, the bank instituted training – to learn to use the SPM software, particularly the scorecard, but also to understand the accountability measures and “the behavioral part of sales,” as Holton puts it: learning about the products and their relationships to each other and how to go beyond being an order-taker and engage customers proactively.

This shift in business culture made some bankers uncomfortable, and a number left IBERIABANK or moved to a job that lacked the sales component, according to Holton. But the majority who stayed saw the potential benefits for themselves and accepted the change. “People who have the right mindset flourish in this kind of program,” she insists. “They love being ranked and competing and have really risen to the occasion.”

Another overall performance measure, the bank’s cross-sell ratio, illustrates the impact of the new program on the business. Cross-selling is not something a bank employee with an order-taker’s mentality is comfortable doing. It requires thorough knowledge of the bank’s products and the abilities to ask questions of customers, to understand their needs and to spot opportunities to interest them in other products. In past years the average cross-sell ratio was 2 (products owned per customer), according to Holton. Since the instigation of the new incentive program, the scorecard and training in using them, it has jumped to 5.66 in the latest analysis. It’s not hard to see how more products owned by more customers translate into more profits.

Sales performance management has brought a new lease on life to IBERIABANK, at a time when all banking is under intense pressures. “Not only has it been a benefit to the bank, but it’s also been a benefit to our employees who have embraced the concept,” says Holton. “They are making more money now than they ever have before.” The bank’s people know what’s expected of them, that they will be held to account for their performance and that they will be compensated according to results. Its processes help turn these values into action, and its information and systems support those processes. Good outcomes are likely to follow.

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–Frankie Holton, executive vice president
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