Becoming A Cheerleader For Small Biz

by Steve Brown

Nowadays cheerleaders have become synonymous with sporting events, but that wasn't always the case. In fact, cheerleading is a relatively new innovation that began in a university setting in the latter part of the 1800s, according to the International Cheer Union. By the 1960s, cheerleading had become a central part of nearly every U.S. high school and grade school sports program, as well as pee wee and youth leagues. Today, some states officially recognize cheerleaders as "student athletes," and given the tricks they do it is more like advanced gymnastics and choreographed dance so that makes complete sense. Things have become so big over time that cheerleaders travel the world competing with each other.

Despite all these changes, the primary job of any cheerleader is to rally the crowd, generate excitement and get everyone cheering for the team. Indeed, there's usually a lot of energy at games where cheerleaders are whirling and twirling around. Sometimes it's that extra bit of encouragement that makes the difference between a win and a loss for a particular team. The same kind of uber-support can be helpful and even critical when it comes to the success of a small business customer.

Many community banks we know think of themselves as cheerleaders for small businesses. Beyond providing loans and business banking products, community banks also have an important role to play as a sounding board and trusted advisor.

Most entrepreneurs are go-getters with strong leadership abilities and are willing to take chances. They are good at coming up with fresh ideas, but not all will work so they need a trusted friend to turn to like a community banker. It takes work and experience to turn untested concepts into a functional business, so bankers can be strong mentors, providing business support and financial assistance when needed. Indeed, surveys find small business owners are good at managing the day-to-day aspects of their business, but notoriously bad at planning for the future or changing the business to address new competition.

Understanding the major reasons why small businesses go kaput can help community banks better ramp up efforts to provide business planning and financial management support to this important customer segment. In the book Small Business Management, Michael Ames names several reasons why small businesses don't succeed. For instance, many startups fail because they run out of cash. Others fail because of the owner's lack of experience, a poor location, poor inventory management, an over-investment in fixed assets, poor credit arrangement management, personal use of business funds or unexpected growth. Two other reasons, cited by Gustav Berle in The Do It Yourself Business Book, are competition and low sales.

Banks can help businesses overcome all of these issues and play a critical role in small business success. While strategic planning isn't a panacea for every issue small businesses face, many problems can be solved with a little help and someone to talk to when times get tough. Your team should fill that role.

Whether it's helping business owners generate ideas to find new customers, afford healthcare and other employee benefits, keep existing customers, pay their bills, manage their finances, or plan for the future, community banks are critical to helping small businesses succeed. To be effective cheerleaders banks don't need to wave around pompoms, shout morale-boosting chants into megaphones, or fly 15 feet into the air. Instead, just focus on being a good friend to small business owners, tailor your offerings to these customers and perform your support role with gusto and a high level of enthusiasm. Rah, rah, rah...

BANK NEWS

FDIC

The agency has authorized 1,058 lawsuits against directors and officers of failed banks since 2009.

Tech Risk

Symantec reports 31% of targeted cyber attacks in 2012 were focused on businesses with less than 250 employees (an 18% increase vs. 2011).

False Hope

Banks should remind customers their systems may not be secure and to regularly upload patches. Consider that a McAfee survey finds 66% of small business owners say they are confident their data and devices are safe and secure from hackers and 77% say they haven't been hacked.

Customers

Research by Equifax finds 20% of consumer accounts include small business owners or principals, so be sure to mine all of your customer account data regularly.

Small Biz

ICBA reports small business loan balances fell 15.2% from 2008 to 2012, but things have begun to reverse since then.

HELOCs

Bankers should note huge HELOC loan balances switch to principal payments in 2015 that were underwritten pre-crisis with weaker standards. According to the Fed, the amount of HELOCs outstanding at banks was $552B in 1Q with $486B available to be drawn down.

M&A Integration

A study by Deloitte finds the primary integration risk cited by directors is synergy capture (25%) vs. 11% for CFOs. Meanwhile, 32% of CFOs say customer retention is the biggest integration risk vs. 20% for directors.

M&A

For those keeping track, SNL Financial reports the number of healthy bank acquisitions was 285 in 2007, 109 in 2009, 224 in 2012 and 225 in 2013.

Dodd Frank

As of Feb 3, 201 of 398 rules have been finalized equaling about 50% of the legislation.

Employee Pay

A survey of employees by Yast.com finds the main reasons people say they stay with their current employer are: men (62% pay, 59% benefits) and women (57% pay and 61% benefits).

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