

SME RELATIONSHIP BANKING APPROACHES



Dinah Bennett, Pat Richardson and Esther Nyauncho

► INTRODUCTION

As opportunities to generate returns from government securities and corporate lending diminish, banks have to become more engaged in the small and medium sized business arena. However, all too often, banks have fallen short in serving this segment effectively, so much so, that growing small businesses have often been termed the “missing middle.” SMEs tend to either desert their early banking provider, or multi-bank, as their businesses grow and develop because their ‘start up’ bank often fails to progress with them.

Some FIs have been sceptical in serving this ‘missing middle’ segment due to the high risks associated

with lending to SMEs. However, they are increasingly realising that SMEs can be a valuable asset and present potential to grow their client base and profits. In order to achieve this positive position, banks and other FIs need to improve the way they serve smaller growing businesses. Only by doing this will they improve customer retention and increase profitability for both the FI and the small businesses themselves.

Most banks have a range of similar products for their business customers with little differentiation between smaller and larger business clients and little differentiation between the banks. What then usually distinguishes one bank from others, and helps to deliver a distinct competitive advantage, is the quality of the front facing staff and how they are able to empathise and interact with the clients.

This technical note (TN) argues that banks need to help their staff to better understand the nature and needs of

About GrowthCap

Over the past few years FSDK has been at the forefront of SME banking development through conducting market assessments and studies in areas such as trade finance and SME equity funds, as well as supporting development of the credit reference bureau. Through its partnerships with its Action Research Partners (ARPs), FSDK’s GrowthCap initiative is supporting adoption of SME best practices by individual financial service providers.

This paper is part of a series of Technical Notes and Resource kits that are being developed out of work with the ARPs. These provide detailed information about the best practices and are intended for use by financial service providers and those supporting such institutions which are entering the SME market.

Abstract

This technical note (TN) argues that banks need to help their staff to better understand the nature and needs of smaller growth businesses, if they are to develop much stronger mutually beneficial relationships with their SME customers and attract new growth business customers.

About the authors



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Some FIs have been sceptical in serving this 'missing middle' segment due to the high risks associated with lending to SMEs. However, now they are realising, increasingly, that SMEs can be a valuable asset and present potential for the banks and other FIs to grow their client base and profits.



smaller growth businesses, if they are to develop much stronger mutually beneficial relationships with their SME customers and attract new growth business customers.

The TN looks at the key elements of what makes up an effective approach to relationship banking for smaller growth businesses. It is important to say that this document is not a 'how to' guide as regards SME relationship management or banking. FSD Kenya (FSDK) under its GrowthCap project has developed a portfolio of training programmes that help build the SME relationship management capability of banking staff, operating in differing roles and at different levels within the bank.

The TN discusses four aspects of developing a relationship management approach for SME customers.

- The key benefits of effective SME relationship management.
- Segmenting the SME customer portfolio for effective management.
- The core principles underpinning the development of relationship management.
- Making SME relationship management work.

This Note should be read in conjunction with three other GrowthCap TNs notably:

- *'Understanding the Small Business Customer'* December 2015 which looks at why the small business customer is important, the key characteristics of the entrepreneur and the life world of those starting and growing their own businesses.

- *'Small Business Relationship Management Competencies'* July 2015 which lists the core skills attributes and behaviours that are associated with and needed by effective SME relationship managers.
- *'An Introduction to Segmentation'* August 2015 which looks at the importance of a bank being able to segment its small business customer portfolio so that it is able to identify the specific needs of different groups of SMEs and design products and services that are appropriate to these different needs.¹

➤ THE BENEFITS OF EFFECTIVE RELATIONSHIP BANKING

Banks that take time to develop a robust relationship management approach with their SME customers will accrue benefits to the bank, the SME customers and through the development of these businesses, to the wider economy as a whole. Effective SME relationship management /banking can bring benefits for all of those involved.

Benefits to the bank include:

- Enhanced **profile & standing** in the SME market i.e. gain a reputation as *the bank that understands SMEs*.
- Increased SME **market share**... more customers of the *type that you want*.

¹ All 3 of these can be downloaded from the FSDK website at: <http://fsdkenya.org/an-introduction-to-growth-cap>

- Increased SME customer **retention rate**.
- Reduced marketing costs i.e. more unsolicited, high quality SME **customer referrals**.
- Increased **share of SME wallet**.
- **Capture lifetime value** of SME customer, rather than the value of an individual transaction.
- Reduction in **turn-around-time** leading to sustainable competitive advantage in the SME market.
- Reduction in **portfolio at risk** and **delinquent accounts...** through relationships based on respect.
- **Better information**, no surprises!
- **Higher margins**, as customer satisfaction lowers resistance to price.
- Potentially, lowering of **transaction costs** over time.
- Job satisfaction leading to the **retention of good SME bankers**.
- **Increased profitability** and a **stronger balance sheet**.

For the small business owner, the benefits are that they gain a trusted partner organisation that can help them to grow their business and fulfil their ambitions. This partner role not only delivers trusted support through access to timely and appropriate financial services, but also having an advisor to walking alongside the business owner throughout the business growth journey.

For the economy, successful growing small businesses usually create jobs, help generate wealth and ultimately contribute to a more vibrant a robust SME sector.

> SEGMENTING THE SME CUSTOMER PORTFOLIO FOR EFFECTIVE MANAGEMENT

Before a bank can more effectively relationship manage its SME customers it needs to identify which should be relationship managed. SMEs are not a homogenous group and treating them as such will only lead to frustrated bankers and business owner managers. Banks need to embrace the different groups within their SME clients and then manage these businesses in different ways accordingly.

A well-executed segmentation² of the SME portfolio into 'like groups', means that their needs can be assessed and the appropriate products, delivery channels, marketing approaches and credit processes can be developed that will better serve each of these different group or segments.

The groups can be categorised based on the desired outcomes of the bank; e.g. businesses that generate the highest amount of profit to the bank or those that utilise the highest number of products. Similarly, businesses can be categorised by sector of activity, turnover, etc. The groups can be complex and more than one factor can be selected to categorise a customer.

Nevertheless, whichever criteria of segmentation that is used inevitably the majority of a bank's SMEs clients will need to be portfolio managed.

The Pareto Principle, also known as the 80/20 rule, illustrates that roughly 80% of a bank's profits will come from 20% of their customers. GrowthCap's work with its partners has shown that, in some cases, less than 10%, generate the majority of the banks profit from SMEs in total. This smaller group of businesses are the clients that need and will benefit from being relationship managed. Relationship lending methodologies and relationship management can only be applied to premium SMEs that demonstrate optimum returns to a bank (i.e. not the mass SME market). Therefore, a robust and focused management approach must be undertaken in order to maximise the time spent with these clients.

For the effective portfolio management of the bulk of SME customers, essentially adequately managing a large volume of clients, requires a robust MIS system that has both the quantity and quality of information about the business. These factors include profitability to the bank, sector health, performance against competitors, etc. Information provided to portfolio managers will enable them to better serve these smaller business clients, manage the risk of the portfolio and most importantly identify those businesses with potential to grow.

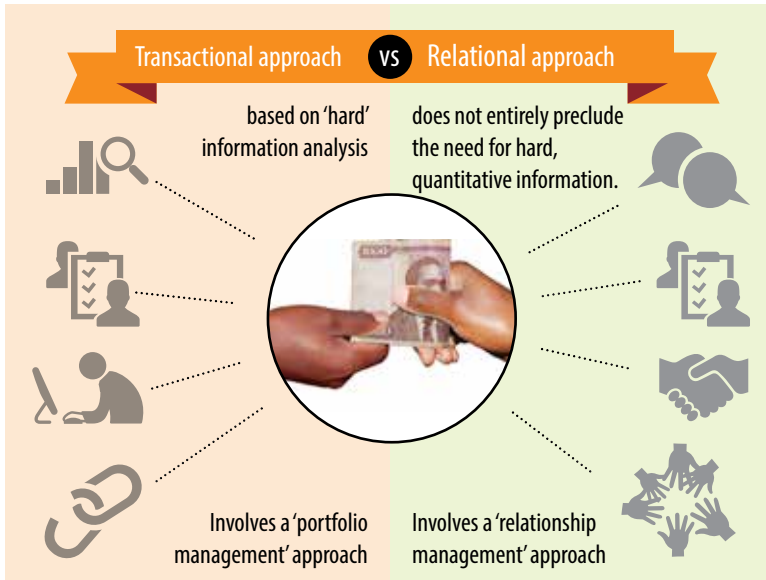
In summary banks need to examine their SME customer group and determine those that SMEs will be served by either:

- **Transactional based lending** based on 'hard' information analysis such as financial statements, collateral and credit scoring and involving more arm's

² Detailed techniques in segmentation are discussed in detail in GrowthCap's resources on segmentation Miller, M.M. An introduction to segmentation. GrowthCap Financial Sector Deepening Kenya 2015 and Miller, M. M. A guide to implementing segmentation. GrowthCap Financial Sector Deepening Kenya. 2015.



Before a bank can more effectively relationship manage its SME customers it needs to identify which of their SME customers should be relationship managed



length interaction between the bank and the SME. This will apply to the majority of SME clients in most banks and involve a 'portfolio management' approach.

or

- **Relationship based lending** requires a bank to invest in proprietary, customer-specific information over time, and monitoring the efficacy of loans through multiple interactions over time. Relationship lending does not entirely preclude the need for hard, quantitative information. By definition it is resource intensive, involves a 'relationship management' approach and will apply to a minority of most banks' SME clients.

► THE CORE COMPONENTS OF SME RELATIONSHIP BANKING

There are 8 core areas of knowledge and practice that are associated with developing an effective relationship management approach with premium SME customers. These include:

- I. Having some insight into the culture of the smaller firm.
- II. The ability to identify a growth business.
- III. The ability to profile and examine the growth potential of a business.

- IV. Understanding the financial dynamics of growth.
- V. Communicating and building trust in order to develop a relationship based on mutual respect and trust.
- VI. Managing internal relationships effectively.
- VII. Developing social capital through effective networking.
- VIII. Having competence to represent the bank and explain its needs.

I. Insight into the culture of the smaller firm

The majority of bank staff are technically competent and many have good customer care skills. However, many lack an in depth understanding of what it means to start and grow a business, to appreciate the entrepreneurial personality and the life world of the owner-manager, in order to develop empathy. Those interfacing and or dealing with the SME owner must develop such empathy.³— i.e. to understand the influence and impact of ownership, customer and stakeholder dependency, risk of personal assets, informality, flexibility and the interaction of business and personal life-styles.

Without such appreciation of the 'life-world' of the small business owner it is very difficult for a bank manager to really understand the business needs, as seen from the owner's perspective, and be able to match appropriate and timely support to what the business needs in order to move forward.

II. The ability to identify a growth business

If banks are going to serve SMEs to the mutual benefit of the businesses and the bank itself, their staff need to understand the process of business development and the key factors which influence change within the independent owner-managed firm. Bankers need to understand how firms grow and the problems/needs that are faced; together with the ways in which SMEs organise themselves and their business systems. It is a combination of experience and technical ability to both understand what constitutes growth together with the ability to evaluate the businesses trajectory involved in that growth which is critical.

This cannot be done purely by examining the financials — a range of other factors must be taken into consideration by using observation and a robust questioning strategy that sets out to get a real 'feel' of what the business is doing in relation

³ Developing this understanding is discussed in more detail in another GrowthCap technical note Bennett, D. and Richardson, P and Nyauncho, E."Understanding the SME Customer" 2015

to the market and the wider environment in which it operates. Bringing insight to the pressures upon the business and the owner managers, both in the early years and as it grows, and the problems that threaten survival, are key.

III. The ability to profile and examine the growth potential of a business.

Being able to profile the performance of an SME in a holistic fashion, and develop a clear understanding of the criteria that are associated with a “healthy” business with potential for further growth, is key to helping decide how such a business should be relationship managed.

Indeed, trained portfolio managers, if given the right guidance and support, will be able to spot a growing business that has the potential to further develop and transition to become a medium or even a corporate client with the bank.

They should also be able to spot those that may be seeking to expand their way out of a business problem.

In reality the growth diagnostic for many small businesses is inadvertent –it just happens rather than being part of a planned process. Growth in many smaller businesses takes place incrementally, emerging from the day-to-day activities and successes of the owner manager solving problems and grasping opportunities in a flexible way. Consequently, when some small business owners approach providers of finance with a new development idea, the danger is that they can be seeking to expand their way out of a business problem. By neglecting the causes of these problems and focusing their energies on expansion, the business can soon run into major difficulties. Relationship managers need to be able to recognise such cases of ‘crisis driven’ growth and help the business to address the underlying problems.

In all businesses, performance is fundamentally linked with management capability. In small businesses, the business is the owner-manager. Owner-managers build their capabilities through developing their businesses: essentially, they learn by doing. Assessing the potential of a business to grow can be addressed by asking four questions of the owner manager and their team.

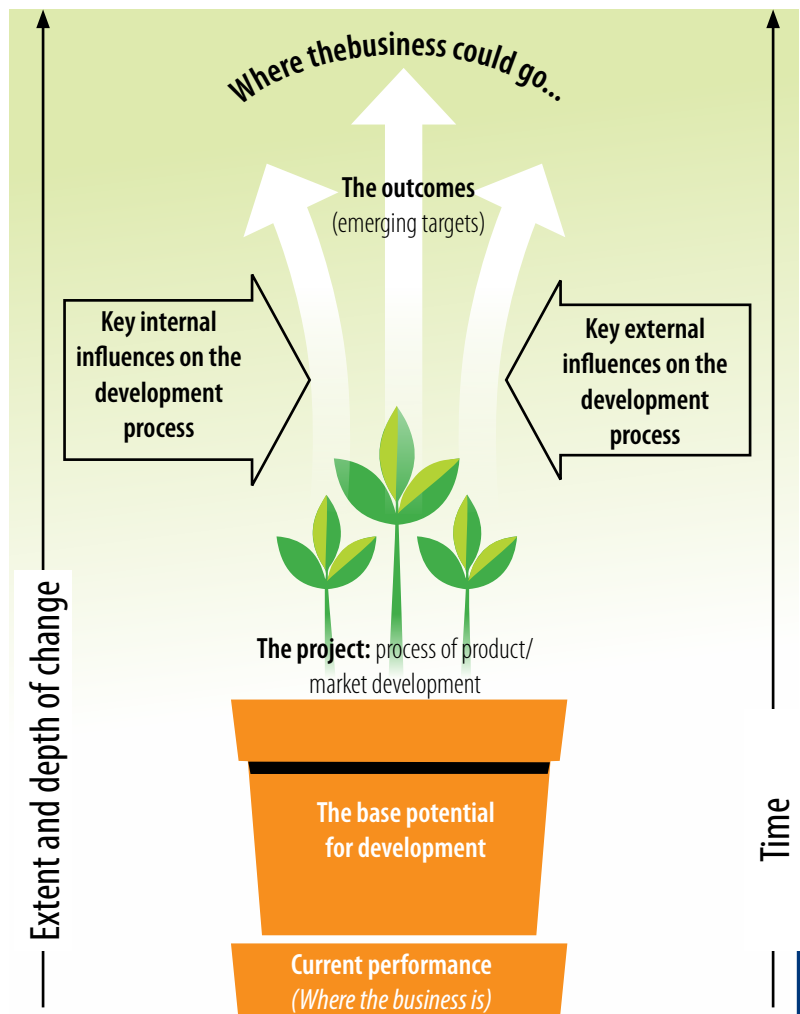
- How good has the business performance been to date?
- How strong is the business’ potential for growth?

- Does the business have a clear growth vision or project?
- What are the key external influences that may impact on this vision/ project?

Figure 1 illustrates these questions graphically in the form of a ‘growth model’ – an approach developed by Allan Gibb and his colleagues at Durham University Business School in the UK.⁴ The relationship banking training programmes for bank staff developed under GrowthCap go into detail about how to profile and examine the growth potential of a small business. They key components in this approach are outlined in Annex 1 of this Note.

⁴ Gibb, A.A. and Scott M (1986) ‘Understanding the Growth of Small Firms’, in ‘Small Firms Growth and Development’. Gower. 1986.

Figure 1: The ‘Gibb’ or ‘Durham’ Business Growth Model





A banker must be able to extract the relevant 'real data' financial information that is required to help understand the health of the business from and with the owner manager

IV. Understanding the financial dynamics of SME growth.

A majority of smaller businesses, including those that are growing, do not have robust data available on their business performance. Therefore, a banker must be able to extract the relevant 'real data' financial information, from the owner manager, that is required to help understand the health of the business. This information will enable him/her to provide appropriate advice based on the needs of the business. Hence good relationship managers need to be able to:

- Understand the practical nuts and bolts of financial management and control from an SME perspective.
- Talk confidently about gross margins, margin improvement and breakeven and do so in terms that the small business owner can understand.
- Identify trends and patterns of financial behaviour in a business; and what this says about how the business has performed and been managed.
- Compute the realistic borrowing needs of a business.
- Calculate the realistic funding needs of a business and assess legitimate borrowing needs. and
- Spot early warning signals that an SME customer is beginning to struggle.

V. Communicating and building trust

For many SMEs, the banker is more important than the bank and yet having a relationship manager does not guarantee there being an effective working relationship between the bank and the SME customer.

All bank managers need to understand the basic tenets of excellent customer service in relation to the SME customer. However, in relationship banking terms, the relationship manager must go beyond and become a trusted advisor to the small business owner. They must also be able to clearly communicate with the business owner in a respectful and empathetic manner.

Relationship banking does not mean simply judging the health of a business by its financial statements. Nor does it mean the occasional face-to-face meeting. For example, when a business customer applies for a term loan or an extension to an overdraft. Relationship banking means constantly renewing contact with

the business customer, either by making regular telephone calls or through personal visits to the business. In this way, the manager will gain a fuller understanding of the progress or otherwise of the business, and be better able to gauge its future financial needs.

Work⁵ with SME owner managers shows that these business owners, world wide, want the similar things from their bank and bank manager. These include the following:

- Interface with appropriate staff ('a manager').
- Negotiation with the decision maker, not a third party.
- Continuity of relationship.
- Quick decisions.
- Reasons provided for negative responses.
- Clear statement of terms/no ambiguity.
- Consistency re 'goalposts' and performance indicators.
- No (financial) jargon.
- Regular and easy to understand statements with no mistakes.
- Confidentiality.
- Understanding of business 'pressures' (not necessarily the technical aspects). and
- Provision of objective financial advice, rather than overt selling.

VI. Managing internal relationships

As noted above small business owners want quick turnaround decision times by their banks. SMEs approach banks when they need help and they require quick decisions as to whether the bank can or cannot help them. Recent research by GrowthCap looking at the banking services provided to SMEs in Kenya revealed that response times to requests for information and support were often woefully slow.⁶

⁵ Bennett, D., & Atterton, T., 1997, 'Developing Effective Working Relationships Between Banks and the Premium Small Business Customer, Conference Networking and Small and Medium Sized Enterprises', 19 and 20 June, University Bologna, Italy.

⁶ GrowthCap FSD Kenya 'The Kenyan SME Financial Landscape' Research Report 2015



A relationship manager, as the key 'link' person within the bank, needs to work effectively with banking colleagues, vis-a-vis the needs of their SME customers

Often a good relationship manager is unable to acquit themselves effectively, in the eyes of the customer, due to the internal processes and staff (such as the legal or credit teams) that all have the decision making authority as to whether a business can be granted a facility. Relationship bankers must be recognised as 'Boundary Spanners', a term brought in to common parlance by Richard Daft, as a concept being applied to organisational development. Daft used this term to describe a person whose role was 'linking' people in organisations, across the "boundaries" of departments, and across the boundaries of companies themselves. The "linking" is really exchanging information, relationship building to create shared meaning and trust across "boundaries".⁷

A relationship manager, as the key 'link' person within the bank, needs to work effectively with banking colleagues, vis-a-vis the needs of their SME customers. S/he must be effective at navigating the internal bank processes so that they match the SME customer's needs and expectations in terms of timeframes, while respecting the policies and systems of the institution. S/he must also ensure that the front facing staff responsible for day to day relations with SME customers appreciate how an SME works, the daily pressures it faces and why timely and consistent communication with these clients is important.

VII. Developing social capital through effective networking.

One of the ironies of small business ownership is that while most individuals are driven to set up their own firms by a strong desire for independence, entrepreneurs quickly discover that to survive and prosper they must learn to manage a complex network of external relationships and interdependencies⁸. Developing effective networks (often termed developing social capital), both within their own institution and more widely in their external financial and business networks, will enable a relationship manager to support their SME client relationship more productively. The ability to signpost a client to relevant sources of advice and assistance as appropriate is needed and highly valued by SME clients.

Indeed anecdotal evidence says that there is a positive correlation between FI's who help their SME clients to non-financial services (either in house or out sourced), such as business clubs, growth programmes and advisory services by sector specialists, and the growth of both their SME base and the SMEs themselves.⁹

⁸ Bennett, D. Richardson, P and Nyauncho, E. 'Understanding the SME Customer' 2015

⁹ Richardson P "The Role of Non Financial Services in SME Banking" 2015

⁷ R.L Daft 'Management' 1989



VIII. Competence to represent the bank and explain its needs.

The relationship manager should have a good understanding of all the bank's services and products 'facilities' relevant to the SME customer and be able to explain these to the client in a clear and transparent manner. Furthermore, whenever possible, a good relationship manager should be looking ahead and introducing resources in advance of need, as a means to facilitate growth and mitigate crisis management for their small business customers.

GrowthCap's mystery shopping research study found that many banks, when approached by small business owners, were not able to do this. Notable exceptions were those banks that had dedicated small business branches where staff seemed more attuned to the needs and well briefed with the full range of services the bank could offer small business customers.¹⁰

¹⁰ GrowthCap FSD Kenya 'The Kenyan SME Financial Landscape' Research Report 2015

> MAKING RELATIONSHIP MANAGEMENT WORK

Segmenting the SME customer portfolio to identify 'premium' SME customers and recognising that key practices are needed to underpin an effective SME relationship management approach are essential but not sufficient to guarantee success in themselves.

There are a number of key factors that need to be addressed if an SME relationship banking approach is to work effectively in practice. These key ingredients together with other issues concerning effective SME banking more broadly, are discussed in more detail in a GrowthCap Briefing Note '*Pursuing SME Banking Excellence*'¹¹. The points pertaining to the development of an effective relationship management approach, in particular, are discussed below.

I. Building staff capability and careers

It is the people of a FI that ultimately determine its long-term success or failure of a customer focused approach. An effective SME relationship management approach requires that key staff acquire the knowledge and skills to undertake this role. Banks need to educate their staff (from front line and back office through to the senior team) to use relationship based approaches with different SME customers, based on a solid understanding and empathy with the lifeworld of the SME owner manager. It is important to emphasise that whilst the relationship managers are the key link with their SME customers, it is the front-line branch staff, who often define the initial customer experience for the SME. These staff members must also be trained to understand SME customers and their needs, so that they are able to refer these business owners onto appropriate staff members for support.

The banking sector already has well developed competency frameworks and guidelines for its staff in many aspects of banking. However, competency frameworks specifically addressing working effectively with SME clients are less developed. GrowthCap has been testing out such a set of competencies for SME relationship management and Figure 2 presents a list of the suggested bankers' behaviours, skills and attributes required for good SME relationship management.

¹¹ Atterton, T. '*Pursuing SME Banking Excellence*' GrowthCap FSDK August 2014

Figure 2: Bankers' behaviours, skills and attributes for good SME relationship management

Behaviours	Skills	Attributes
<ul style="list-style-type: none"> ▪ Opportunity seeking ▪ Taking initiative ▪ (Occasionally) taking calculated risks ▪ Making things happen ▪ Responding to challenge ▪ Managing relationships ▪ Rapid use of judgement ▪ Networking 	<ul style="list-style-type: none"> ▪ Problem-solving ▪ Persuasiveness ▪ Negotiating ▪ Decision-making under time pressures ▪ Articulation (of banks requirements) ▪ Sense-making ▪ Socialising ▪ Financial management ▪ Understanding the nuances of running a small business 	<ul style="list-style-type: none"> ▪ Self confidence ▪ Empathy with client ▪ Ability to behave autonomously ▪ Versatility and flexibility ▪ Dynamism and urgency ▪ Resourcefulness ▪ Action orientation ▪ Commitment to bank and to SME owner ▪ Patience

These competencies can be adapted for staff working at different levels with varying degrees of responsibility within the SME team.¹²

As well as providing training, banks need to continuously support and reward their staff for effectively implementing positive SME centric measures. The bank needs to put in place a career path that recognises SME banking as a valued and rated career goal in the bank and reflects bankers of increasing seniority working with SME customers

SME relationship managers should not see their jobs as a stepping stone to corporate relationship management, or as the 'poor relation' to the corporate, but as a rewarding career where their passions and talents are utilised and they continue to grow. Solid transparent career paths require to be established with continuous professional development and ideally, a formal accreditation process and incentives for excellent performance in relation to serving the SME customer.¹³

II. Strategic intent and support for SME centric approaches

A bank needs to express serious intent that strategically, SME customers are important to the bank and as part of this the

¹² Further details about these competencies can be found in Atterton T'Small Business Relationship Management Competencies GrowthCap FSDK July 2015

¹³ Further discussion about accreditation can be found in Atterton T'Accrediting Small Business Bankers' GrowthCap FSDK September 2014

bank wants to work with its premium SME clients through a relationship management approach. The senior management team need to overtly commit to and support this approach, ensuring that the necessary resources are made available to help make it work.

Although many banks embrace the necessity to offer products and services to the SME sector and say they will support a relationship banking approach with their premium SME customers this 'intent' is often not expressed loudly and clearly throughout the bank, nor backed by well articulated and resourced work plans.

In line with this, the role of those staff within the institution that interface with SMEs must be exalted. In particular, the Head of SME must be at a senior level within the institution and given the resources, power and autonomy in order to garner respect and lead this effectively.

III. SME focused operational structures and processes

Many banks locate their SME work within either retail banking or corporate banking departments and yet neither of these options is ideal. SMEs have unique specialist needs, and experience has shown, that to be successful in the SME market, a bank is best to establish a dedicated SME department as an autonomous business unit. Various banking models can

be taken into consideration when establishing such a unit depending on how SMEs sit within the banks overall portfolio of business customers¹⁴. Whichever model is selected will need to evolve differentiated relationship-based banking approaches that can generate competitive advantage for growth-orientated SMEs.

Alongside appropriate structures the bank needs to ensure that operational processes are fit for purpose as regards SME support. Ideally SME centric approaches should be designed and adopted by all SME stakeholders within the FI. As a minimum they should recognise the different nature SME products and services as compared to those for corporates and adapt systems accordingly. Internal credit control policies and procedures, in particular, need to be SME friendly so they do not 'obstruct' or frustrate the capability and initiative of front-line relationship managers.

➤ IN CONCLUSION

Whilst Kenyan banks have been acknowledged as leaders in SME lending in Africa, the sector could further improve their SME offering and one way in which they can do this is to offer their premium SME customers a SME centric relationship approach based service.

In order to do this there are several factors- ingredients for success - that need to be put in place and supported throughout the institution. These include:

- **SME customer segmentation** – consider how to segment the broader group of SME clients to ensure that different types of clients with different needs are offered appropriate services and support.
- **Addressing the 8 core components of SME relationship banking** – develop the 8 core areas of know-how and practice that need to put in place to underpin an SME relationship management approach.
- **Building staff capability and careers** – train and develop staff and ensure there is a reward system and career path in SME banking that works alongside their development.

¹⁴ Miller, M.M. and Oyaró, D 'SME banking models'. GrowthCap FSDK May 2015

- **Strategic intent and support for SME centric approaches** – banks need to express their commitment to an SME centric approach; communicate this throughout the bank and ensure resources are available to develop a relationship management approach for the bank's premium SME clients.
- **SME focused operational structures and processes** – all of the above need to be underpinned and supported by operational structures, policies and processes that are SME friendly, if a relationship based approach to managing SME customers is going to be effective in practice.

As a key piece of research, undertaken in 2002, commented – and the message still stands true today:

"As opportunities to generate returns from government securities, corporate and consumer lending diminish, banks need to become more engaged, proactive and innovative in the SME arena. . . Success in the SME segment is critical...for future profit growth. Products and services are extremely difficult to differentiate in the SME marketplace and, as a result, the nature and quality of the bank: SME relationship has become the key determining success factor in terms of gaining and maintaining profitable market share in the crucial, but highly competitive premium SME market."

– Macquarie Research Equities 2002

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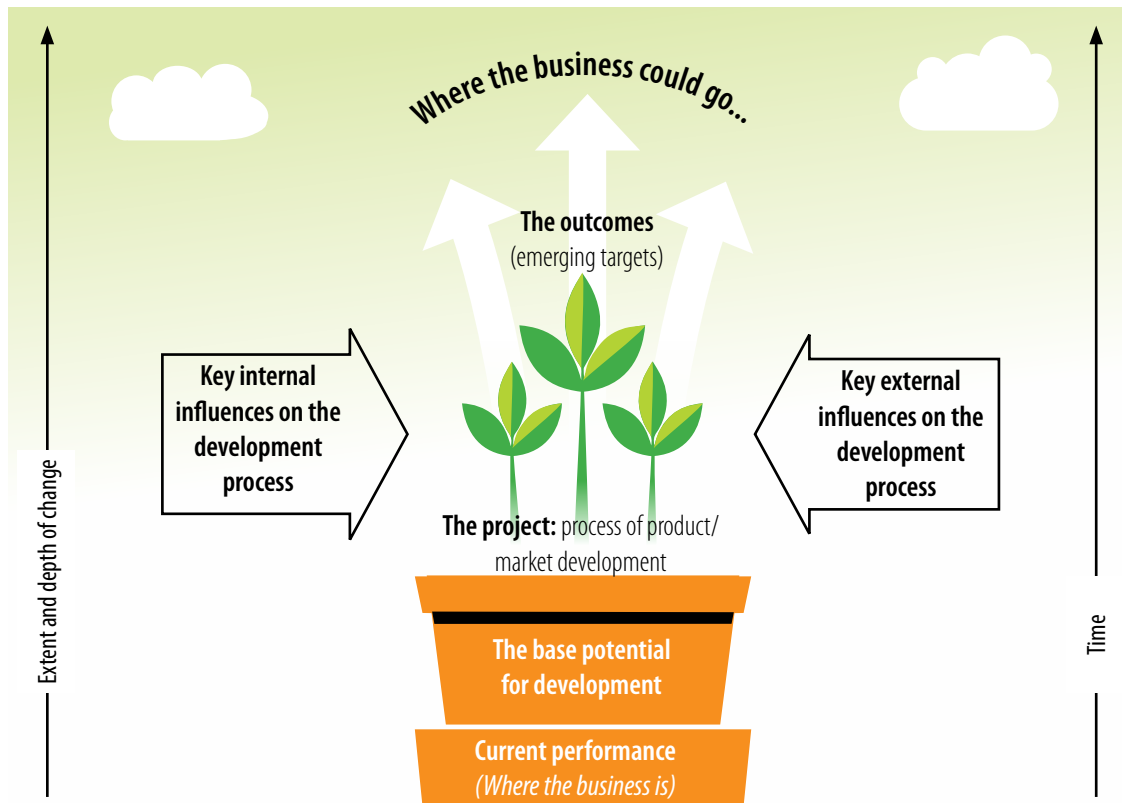
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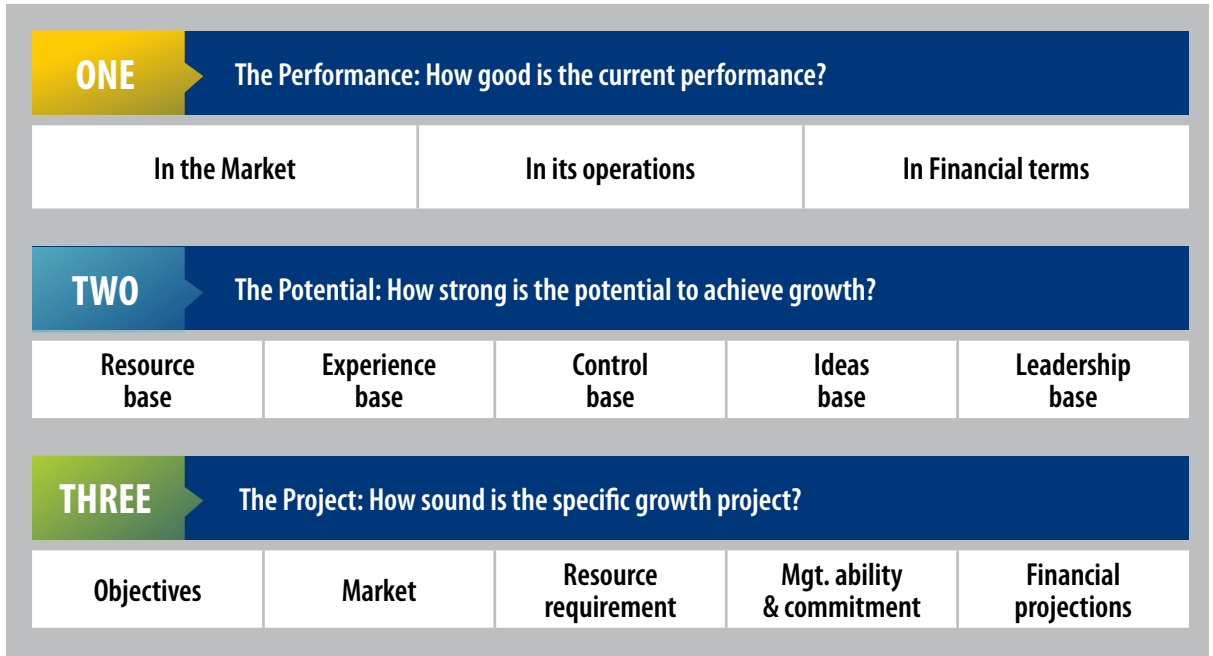
Richardson P "The Role of Non Financial Services in SME Banking " GrowthCap FSDK 2015.

> ANNEXES

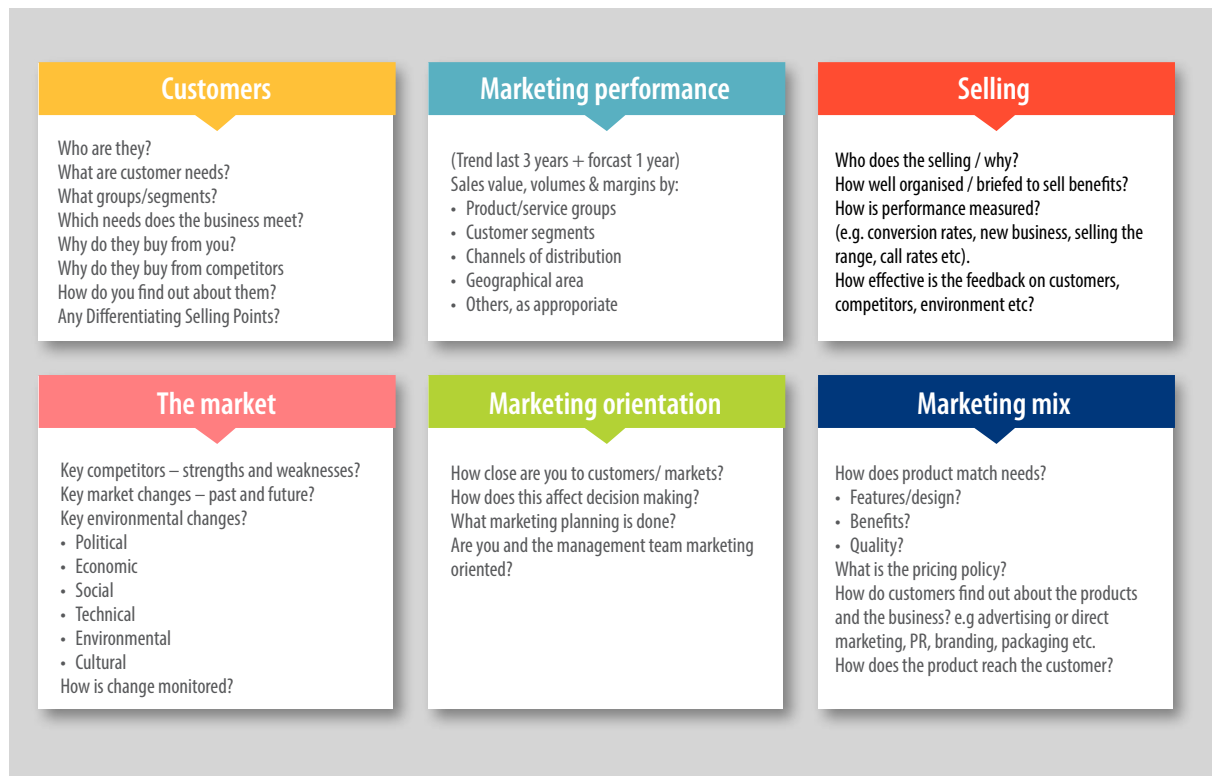
1. THE OVERALL GROWTH PROFILING MODEL



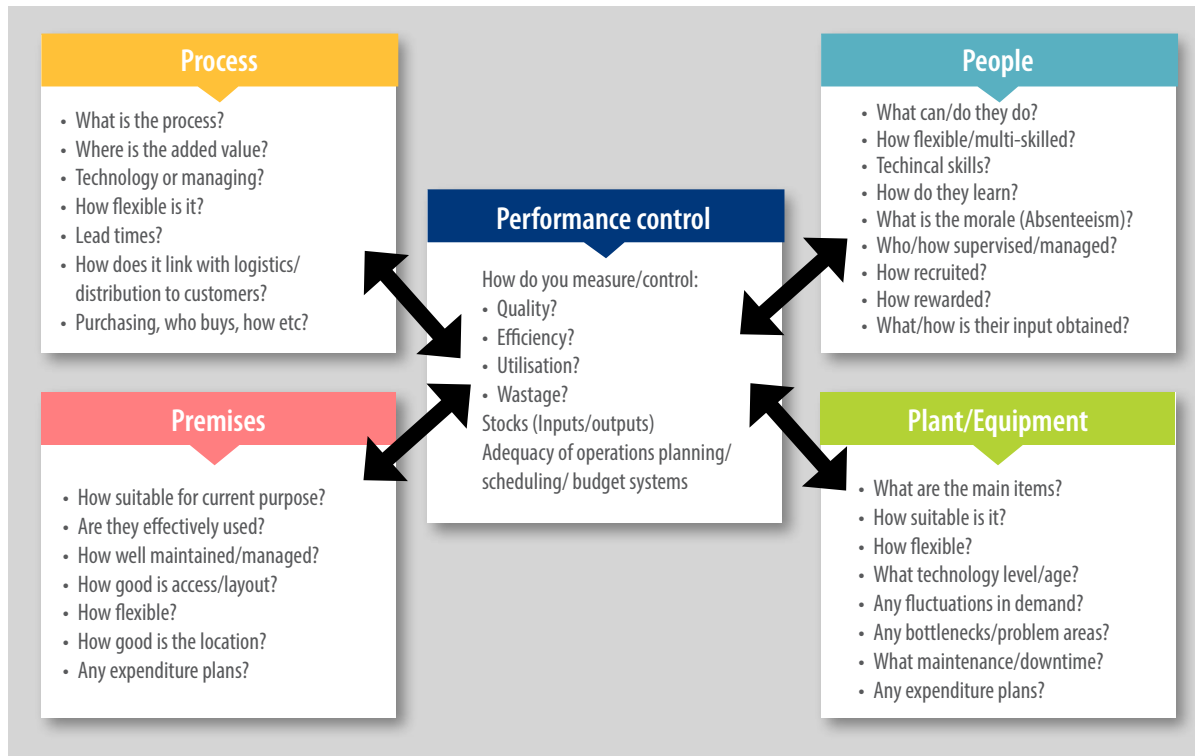
2. THE FRAMEWORK FOR ANALYSING GROWTH POTENTIAL



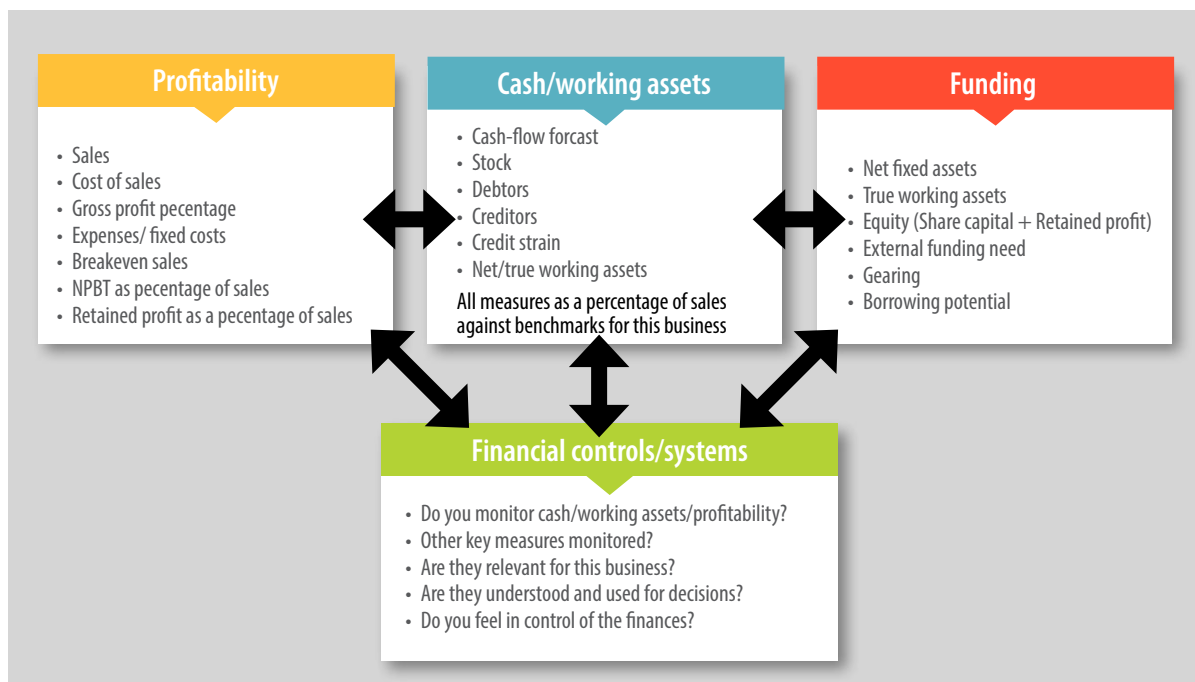
3. MARKETING PERFORMANCE FACTORS



4 OPERATIONAL PERFORMANCE FACTORS



5 FINANCIAL PERFORMANCE FACTORS



5. FINANCIAL PERFORMANCE FACTORS

Resources	Experience	Controls	Ideas	Leadership
<ul style="list-style-type: none"> • Liquidity and availability of finance • Technology: level and capability required • Physical assets: age and state • People: quality/skills/flexibility/attitude • Product range and life cycle • Product range and life cycle • External resources e.g. agents, distributors 	<p>Experience of:</p> <ul style="list-style-type: none"> • Developing markets • Using external agents • Moving sites • Managing growth and change • Introducing new technologies • Whatever it is you are seeking to do 	<ul style="list-style-type: none"> • Adequacy of info and control systems • Management team's / process to assess • 'Professionalism' of management • Adequacy of planning and monitoring • Degree of delegation to team • Ability to define and assess performance 	<ul style="list-style-type: none"> • Sources and number of ideas-knowledge base used? • Appropriate means/ process to assess market/customer orientation of ideas • Degree of development/testing of these ideas • Degree of creativity/ problem solving 	<ul style="list-style-type: none"> • Degree of involvement of key staff • Age/occupational base of owner-manager(s) • Leader's personal goals and objectives, style and ambition • Family influence • Personal attitude to change • Degree of strategic awareness and understanding of environment

About the authors:

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The Kenya Financial Sector Deepening (FSD) programme was established in early 2005 to support the development of financial markets in Kenya as a means to stimulate wealth creation and reduce poverty. Working in partnership with the financial services industry, the programme's goal is to expand access to financial services among lower income households and smaller enterprises. It operates as an independent trust under the supervision of professional trustees, KPMG Kenya, with policy guidance from a Programme Investment Committee (PIC). In addition to the Government of Kenya, funders include the UK's Department for International Development (DFID), the World Bank, the Swedish International Development Agency (SIDA), Agence Française de Développement (AFD) and the Bill and Melinda Gates Foundation.



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