Executive Diploma in SME Relationship Management

for Bankers and other Professionals in the Financial Services Sector
An Introduction to the Executive Diploma in SME Relationship Management

The Executive Diploma in SME (‘small and medium sized enterprise’) Relationship Management has been developed as a strategic response to the growing demand for SME finance in Zambia; and, in particular, the need to increase the talent pool of skilled and competent SME bankers and financial services professionals.

Financial Sector Deepening Zambia (FSDZ) has partnered with the Zambian Institute of Banking and Financial Services (ZIBFS) to develop the Executive Diploma and promote a more contemporary approach to SME finance. The Executive Diploma is an integral part of the Institute’s range of training and qualifications. FSDZ has dedicated resources to the establishment of the programme that will contribute to enhanced SME access to finance and increased levels of participation in the Zambian economy.

The Executive Diploma is based upon an international SME Banking Competency Framework that has been developed over two decades in collaboration with banks and financial institutions, and has been delivered both as an open programme and internally for specific organisations. It is designed to provide participants with the practical and applied knowledge and skills required for effective SME relationship management within the banking and financial services sectors. The Diploma is intended to enable participants to apply learned theories and practical application in real world situations. It is aimed at those who have at least six months experience in commercial banking or financial services together with some practical experience of working with SME clients. The Programme consists of four (4) taught modules and three (3) workplace-based projects.

“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.”

‘Small Business: River of Gold’, Macquarie Research
Why is an Executive Diploma Programme Needed?

A vibrant, robust and growing SME sector is a vital component of any healthy economy. In parallel, success in the SME segment is widely considered to be critical for future profitability and growth of banks and other financial service providers. Demonstrably, the market for SME financial services in Zambia is becoming more competitive as traditional banks, non-banking and established microfinance institutions compete for small business customers. Financial institutions face a growing need to differentiate themselves in the SME market; experience elsewhere shows the best way to do this is by developing the skills and competencies of their SME-finance staff.

There are relatively few international examples of financial institutions being able to dominate the SME market over time and establish long-term sustainable competitive advantage in the increasingly competitive SME arena. One of the main reasons for this is that banks rarely take the time and effort to really understand the needs of an SME or seek to see the world through the eyes of their SME customers. Research demonstrates that products and services are extremely difficult to differentiate in the SME market and, as a result, to develop a competitive offer, SME relationships have become the key determining success factor in terms of gaining and maintaining profitable market share in the crucial, but highly competitive premium SME market.

ZIBFS’ Executive Diploma in SME Relationship Banking has been designed specifically in response to this commercial opportunity. The Executive Diploma represents international best practice in respect of SME Relationship Banking; and has been piloted, tested and adapted for the Zambian context. The Executive Diploma is designed to provide participants with the practical skills required for SME-centric relationship management. It assists financial institutions to establish sustainable competitive advantage in the SME market and empower participants to build long-term relationships of value with SMEs by building a strong SME portfolio from within an existing customer base rather than poaching competitor’s business.

SMEs and SME Banking in Zambia and Sub-Saharan Africa

Best estimates suggest that there were between 950,000 and 1.2 million MSMEs in Zambia as at 2012 although, only 30,000 had been formally registered with the National Tax Authority. In terms of SME demand for finance, some 20% of Zambian businesses perceived access to finance as a ‘very severe obstacle’ to their current business operations and a further 29% rated access to finance as a ‘major obstacle’. In 2012, research undertaken by McKinsey & Co. suggested that MSME banking revenues in Sub-Saharan Africa were growing at 20% per annum with projected revenue growth from $5 billion in 2010 to $12 billion in 2015. Further research data sourced from the Bankers Association of Zambia found that bank lending to MSMEs had grown significantly since 2010 and all Zambian Banks that lend to MSMEs have a positive growth outlook for the sector over the next one to five years.

“Banks lend to MSMEs without developing relationships with them… they tend to offer ‘cosmetic’ finance to MSMEs that support daily operations and business transactions but offer very little scope for enterprises to expand their productivity or grow their businesses.”

1 Kedia-Shah, 2012
**What is SME Relationship Management?**

SME Relationship Management is designed to capture the life-time value of an SME customer as opposed to the immediate commercial return that attaches to a single transaction. Accordingly, it is an attractive proposition for banks and other financial service providers. However, relationship management and relationship lending methodologies are resource intensive and can only be applied to premium, growing SMEs that demonstrate optimum returns to a bank (i.e. not the mass SME market which lends itself more appropriately to portfolio management approaches and transaction-based lending).

International experience demonstrates that managing a small but carefully selected proportion of an SME portfolio leads to a high contribution to SME profits i.e. the 80:20 principle applies. Moreover, the effective application of SME relationship management approaches reduces the tendency of SME customers to multi-bank and generates cross-selling opportunities. Accordingly, the role of an SME relationship manager is to establish and maintain long-term ‘relationships of value’ with a select group of small and medium sized enterprises that are based upon trust, transparency, respect and the full disclosure of information; thus managing commercial risk and maximizing benefit to both parties.

> “For many SMEs, the banker is more important than the bank but having a relationship manager does not necessarily guarantee having a relationship.”
> *Small Business: River of Gold*, Macquarie Research

**The Benefits of Effective SME Relationship Management**

The benefits of effective SME relationship management are considerable and include:

- Enhanced profile & standing in the SME market based upon a reputation as the bank or financial institution that understands SMEs
- Increased SME market share; and, in particular, more customers of a preferred profile
- Increased SME customer retention rate
- Reduced marketing costs i.e. more unsolicited, high quality SME customer referrals
- Increased share of wallet from existing SME customers i.e. lower incidence of multi-banking
- Increased cross-selling opportunities
- Capture lifetime value of SME customer, rather than the value of an individual transaction
- Increased level of deposits from SME customers
- Reduction in turn-around-time leading to sustainable competitive advantage in the SME market
- Reduction in portfolio at risk and delinquent accounts
- Better information, about SME clients
- 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 and professional staff
- Increased profitability from the SME segment leading to a stronger and more resilient Balance Sheet
Why an “Accredited” Executive Diploma Programme for SME Relationship Managers?

Accreditation is the formal recognition that an individual (or organization) has achieved a defined level of competence, skill and knowledge in a specific role and will continue to perform to this standard thereafter. The Executive Diploma in SME Relationship Management has been developed as a vehicle for demonstrating both institutional and individual commitment to servicing effectively the SME market. Also, the Executive Diploma builds the status of the role of SME banker or SME financial services professional; and helps establish career paths in SME banking and financial services.

Diploma Objectives

By the end of the Diploma, participants will be able to:

- Demonstrate an understanding of the foundation and practice of world-class SME Relationship Banking
- Appreciate the type of relationship that SMEs desire from their banks, bankers and other professional advisers
- Approach and interact with SME customers with increased confidence and professionalism
- Empathise with, and understand the entrepreneurial personality and management styles that exist within SMEs
- Appreciate the short-term and strategic decision-making horizons that exist within SMEs
- Segment an SME portfolio more effectively and identify SMEs that offer long-term profit opportunities
- Profile the financial and non-performance of an SME and determine the true health and potential of an SME
- Identify commercial banking opportunities within an SME and cross-sell appropriate products and services
- Build and maintain SME relationships of value that are based upon trust, respect, transparency and the full disclosure of information
- Build and maintain an SME customer portfolio that represents best value for their employer
Programme Structure and Content

The Executive Diploma in SME Relationship Management is delivered through four X three day Modules spread over a period of approximately four months.

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MODULE ONE

Foundation and Practice of SME Relationship Management

This module will establish an overall context for the entire Executive Diploma Programme covering: the core essentials of SME banking and finance; the Zambian and Southern African economic context; the difference between ‘SME Relationship Management’ and ‘SME Portfolio Management’; understanding the SME life-world; SME segmentation; the needs & wants of the SME customer; and will establish an operational framework for implementing a coherent SME Relationship Management Strategy. Also, the module will introduce participants to a tested framework for analysing SME performance and determining future potential that embraces all aspects of business operations.

Core competencies addressed:
- Empathy with the World of Small Business
- Networking Skills
- Portfolio Management
- Product Knowledge, Selling and Cross-selling Skills
- Teamwork and Relationship Building
- Stewardship
- See Annex

2

MODULE TWO

Effective Selling into the SME Market

This module will address the fundamental issue that SME Relationship Managers are, effectively, front-line sales personnel. Zambian SME bankers tend to adopt retail orientated ‘business to consumer’ (B2C) selling approaches in their interaction with SMEs. Frequently, this involves cold calling and blanket approaches that fail to establish a compelling offer or competitive advantage. The B2C opportunity cost is high and conversion rates are inevitably low; also, B2C selling has proved to be ineffective in the target SME market. SME bankers need to acquire new ‘business to business’(B2B) selling skills if they are to be effective in their job roles. B2B selling is founded on an understanding of the problem (or problems) that prospective SME customers are trying to solve and their ability to pay; and then developing a customized solution that meets both need and budget. Accordingly, this module will empower participants to: understand customer needs; develop customized solutions; evaluate proposed solutions with the customer; convert benefits to value; tailor a convincing sales pitch; and build trust and credibility.

Core competencies addressed:
- Empathy with the World of Small Business
- Personal Skills
- Communication Skills
- Networking Skills
- and ‘Service Focus & Quality Improvement
- See Annex
Overall, the Programme comprises 150 hours of activity:

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<th>Activity</th>
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<tr>
<td>Face-to-face Training</td>
<td>96</td>
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<tr>
<td>Three Project-based Assignments</td>
<td>48</td>
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<tr>
<td>End of Programme Assessment Activities at ZIBFS</td>
<td>6</td>
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**MODULE THREE**

**Analysing SME Performance & Determining SME Potential**

This module has a strong technical orientation and provides a series of analytical tools and frameworks for assessing the performance (‘health’) of an SME that go beyond the superficial analysis of financial statements and empower Relationship Managers to make sound commercial decisions that are based upon business situation, need and potential. The module will empower participants to interpret both Profit & Loss and Balance Sheet, and extract information that is critical for evaluating credit applications and confirming loan serviceability. The module will help to build much stronger financial acumen and understanding of finance as the language of business as a vehicle for establishing relationships based upon trust, full disclosure of information and mutual benefit.

**Core competencies addressed:**
- Empathy with the World of Small Business
- Analytical Skills
- Communication Skills
- Problem-solving Skills
- Technical Skills
- Stewardship
- See Annex

**MODULE FOUR**

**Implementing an SME Relationship Management Strategy**

This module brings the whole Executive Diploma Programme together and establishes clarity of purpose and a clear understanding of an Organisational delivery model that will deliver success in the SME market. The module will include input on key aspects of Organizational Development including: innovation; team building; change management; and culture. Also, the module will highlight ways to achieve and maintain performance excellence in SME customer service as a means to establish sustainable competitive advantage.

**Core competencies addressed:**
- Portfolio Management
- Service Focus & Quality Improvement
- Teamwork & Relationship Building
- Stewardship
- See Annex
Programme Management

The Executive Diploma in SME Relationship Management is managed by the Zambia Institute of Banking and Financial Services (ZIBFS) and overseen by a sub-committee of the ZIBFS Training Committee which reports to the ZIBFS Governing Council. The Executive Diploma sub-committee comprises representatives from both ZIBFS, its stakeholders and representatives drawn from Zambian financial institutions that service the SME market. ZIBFS, through its committee structure has full control over the Programme and the formal accreditation of participants.

Entry Requirements

Two mandatory enrolment conditions apply to the Executive Diploma in SME Relationship Management:

1. All participants entering the Programme must have some level of academic and/or banking certification; more importantly, at least six months practical experience of working in SME banking or SME finance.

2. In addition, the following institutional requirements must be met by each participant:
   - They must be nominated by the institution for which they work; although, independent candidates will be considered and enrolled at the discretion of the Programme Sub-Committee.
   - They must be prepared to undertake all three project-based assignments and submit relevant project reports.
   - The nominating institution must commit to supply an institutional supervisor (most likely their line manager) for the duration of this programme.
Programme Delivery

In order to ensure relevance, practical application and mitigate the opportunity cost of attendance, there will be strong linkages between the Executive Diploma and the workplace. In particular, three workplace assignments (see below) will be incorporated into the structured learning process. These assignments are of practical benefit to the participant’s employer. Also, participant’s line managers are included in a nominated assessment panel to ensure application of learning and the deployment of new skills into day-to-day operations.

Compulsory Work-Place Projects

Each participant is required to undertake three assessed work-place based projects positioned between each Diploma module. These projects are negotiated and agreed between ZIBFS, the employer and the programme participant and will be an integral part of the learning process and an individual’s assessment. The projects will be practical in nature and designed to facilitate the transfer of learning into the work-place. ZIBFS, in collaboration with the organization where the student is employed, will supervise work-place based projects. Alternative arrangements will be made for self-sponsored participants.

Programme Assessment

ZIBFS applies an innovative approach to assessing participants on the Executive Diploma in SME relationship management. Rather than formal examination, participants are required to submit summary reports on completion of each work-place assignment (maximum: 2000 words). These reports will be reviewed and assessed by ZIBFS representatives and, where appropriate, the participant’s line manager. At the end of the programme, participants are required to present a summary of the learning experience and demonstration of new skills and competencies to an assessment panel partly of their choice, which will be discussed and agreed with ZIBFS.

Award of an Executive Diploma in SME Relationship Management

Upon successful completion of all four programme modules, achieving a pass grade on all three project reports and demonstrating the application of new learning to an assessment panel at the end of the programme, ZIBFS will award a ZIBFS Executive Diploma in SME Relationship Management.

Programme Fees

A fee of ZMK 7,500 is chargeable for attendance on the Executive Diploma in SME Relationship Management. This fee covers all costs associated with attendance and assessment, including materials. Membership with ZIBFS is required for enrolment. Please check the latest fees with ZIBFS. All fees must be paid in full one week prior to commencement of the respective programme.

It is anticipated that this cost will be borne by participant’s nominating employers, although limited open enrolment by individuals aspiring to develop a career in SME banking or financial services will be considered.

Programme Dates:

Please see insert.
Annex: ZIBFS SME Banker Competency Framework

Role Purpose: The role of a Small Business Relationship Manager is to establish and maintain long-term ‘relationships of value’ with an identified group of small businesses that are based upon trust, transparency, respect and the full disclosure of information; thereby managing risk and maximizing commercial benefit to both parties.

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<th>CORE COMPETENCY</th>
<th>REQUIRED SKILLS, ABILITIES &amp; ATTRIBUTES</th>
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| **1 Empathy with the World of Small Business** | → Appreciates the broader economic and market context within which Zambian and African small businesses operate;  
→ Understands the complexity and nuances of the entrepreneurial personality and takes into account during day-to-day interactions;  
→ Demonstrates insight into the culture of the small business and the pressures and challenges that impact upon owner-managers;  
→ Appreciates the management methods and approaches adopted through necessity by small businesses; and  
→ Understands the short-term decision-making horizons adopted by small businesses. |
| **2 Personal Skills** | → Likeable, enthusiastic professional, seeks opportunity, takes initiative & holds self accountable for outcomes;  
→ Drive, ambition, action-orientated and personal need for achievement;  
→ Open, honest, fair, patient and consistent in their SME customer interactions;  
→ Individual presence and gravitas; and  
→ Establishes and maintains relationships that are based upon trust, mutual respect and the full disclosure of all relevant information. |
| **3 Analytical Skills** | → Applies judgement and makes sound decisions whilst demonstrating integrity;  
→ Seeks to understand customer’s business and its needs; and uses evaluation criteria that extend beyond analysis of short-term financial statements i.e. appreciates the value of intangible assets;  
→ Uses appropriate analytical and diagnostic techniques to gain a complete (holistic) overview of current businesses performance;  
→ Understands the dynamics of business growth and the criteria (including key performance indicators) that attach to a healthy small business; and  
→ Adequately judges both the person and the business proposition. |
| **4 Communication Skills** | → Demonstrates a positive, encouraging and supportive disposition;  
→ Uses appropriate language and body language; and applies questioning and listening skills to obtain relevant information;  
→ Shares information with and receive information from colleagues and customers using effective oral and written communication skills;  
→ Provides feedback with clear explanations and avoids financial jargon; and  
→ Explains the information needs of the Bank in a structured, clear and precise manner. |
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| 5 Networking Skills                         | → Credible within the small business community;  
   → Builds personal networks with small business operators and their stakeholders as a means to expand the Bank’s SME customer base; and  
   → Signposts small businesses to relevant sources of help and advice in the wider business environment.                                                                                                                                                                                                                                    |
| 6 Problem-solving Skills                    | → Understands the process of development within a small business; and the factors that drive or block necessary change;  
   → Applies appropriate problem identification and solving techniques;  
   → Differentiates between symptoms and root-causes of business problems; and  
   → Seeks and applies workable solutions.                                                                                                                                                                                                                                                                                        |
| 7 Technical Skills                          | → Demonstrates strong financial acumen and the ability to interpret business performance through analysis of available financial information;  
   → Provides advice and guidance on building net worth within a small business;  
   → Understands the Bank’s risk appetite, credit processes and approval criteria; and  
   → Presents loan application in an optimum manner that reflects the systems and process in place within the Bank.                                                                                                                                                                                                         |
| 8 Portfolio Management                      | → Understands the type of relationship that small businesses desire from the Bank and banker and performs accordingly;  
   → Actively manages a small business portfolio by segmenting the SME market and his/her relationships; and priorities the optimum contribution of both time and resource;  
   → Identifies early or latent potential within a customer relationship; and  
   → Positions the Bank as a strategic business growth partner to its small business customers.                                                                                                                                                                                                                                           |
| 9 Product Knowledge & Selling Skills        | → Understandings the Bank’s product offer;  
   → Promotes the Bank’s SME Product & Service offer and competitive advantage simply and effectively;  
   → Links product sales opportunities to identifiable business need rather than short-term targets or personal advantage;  
   → Maximizes cross-selling opportunities and captures all fee income available from small business customers; and  
   → Closes deals with minimum hiatus.                                                                                                                                                                                                                                                                                          |
| 10 Service Focus & Quality Improvement      | → Values and delivers high quality, innovative service to all customers; and  
   → Strives for high quality performance and takes initiative to make improvements and deliver results.                                                                                                                                                                                                                                                                                 |
| 11 Teamwork & Relationship Building         | → Treats people with courtesy and respect;  
   → Encourages cooperation, collaboration and partnership;  
   → Identifies win:win situations within client relationships;  
   → Adds-value to small business relationships beyond providing access to financial products; and  
   → Builds relationships as a means to mitigate risk and exposure for the Bank.                                                                                                                                                                                                                                               |
| 12 Stewardship                              | → Demonstrates accountability, discretion and sound judgement;  
   → Fosters partnerships and builds long-term relationships based upon a shared vision and common understanding;  
   → Motivates by example and stimulates positive changes in behaviour;  
   → Monitors individual small business and overall portfolio performance with due care and diligence; and  
   → Acts as small business customer’s advocate and champion within the Bank.                                                                                                                                                                                                                                             |
The Zambian Institute of Banking and Financial Services (ZIBFS)

The Zambia Institute of Banking and Financial Services was established in 1992 as an autonomous professional body whose objective is to impart superior financial services knowledge and enhance professionalism in the banking and financial services sector. The Institute is a founder member of the Alliance of African Institutes of Bankers, and has strong collaborations with other banking Institutes such as the Indian Institute of Banking & Finance and ifs School of Finance (UK). ZIBFS is also actively involved in the World Conference of Banking Institutes.

During its 23 years of service, ZIBFS has emerged as a premier institute in banking and finance education for those employed as well as seeking employment in the sector, aiming for professional excellence. The Institute provides technical training for the financial services industry. Among its major achievements, the Institute has launched new professional qualifications in banking and financial services in Zambia. Mainly, these are self-study programmes such as the Professional Diploma (PDBFS) and Advanced Professional Diploma (APDBFS) in Banking & Financial Services, Post-Graduate Certificate in Retail Banking, and Post-Graduate Certificate in Risk Management. ZIBFS is managed by a dedicated Executive Team, which reports to ZIBFS Council. The Governor of the Bank of Zambia is a Patron of the Institute.

For additional information and enrollment, please contact ZIBFS:

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