Differentiate Your Business Services

Nearly 40% of family businesses will change leadership in the next five years

How often do financial institutions truly partner with the businesses they serve? Do they really provide innovative services? Most financial institutions talk a good game, but few really demonstrate the expertise and range of products to be able to “partner” with any of their business clients/members, according to Steve Williams of Cornerstone Advisors.

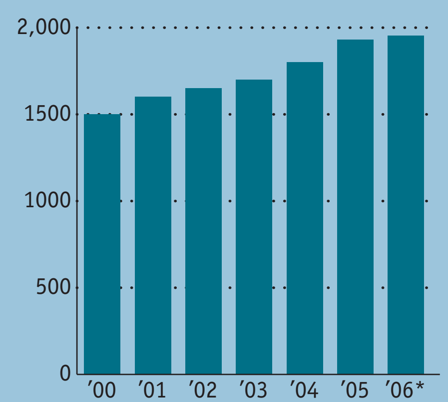
Writing in *Gonzobanker.com*, Williams suggests there are ways to get serious about providing the level of business service many institutions boast about. He suggests there are a number of strategic opportunities available in 2007 that could offer real business-partnership opportunities for financial institutions.

Family-owned businesses. Family businesses represent more than 80% of all enterprises in the U.S., 50% of U.S. gross domestic product, and 78% of all new job creation. They have been and will continue to be the backbone of business lending and services for financial institutions. However, 39% of family businesses will change leadership in the next five years, meaning the next decade will be a huge transitional time as baby-boom leaders retire.

Financial institutions can play a more active role in the strategic options these companies face, Williams asserts. Wealth-management offerings, such as trust/estate planning and employee stock ownership plans, need to a part of any discussion with family-owned businesses going forward. Twenty percent of family businesses had not established an estate plan, and 55% of these businesses fail to conduct regular formal valuations of their companies to accurately forecast future taxes, according to a 2005 study by the MassMutual Group/Raymond Institute.

Figure I

CUs Making Business Loans



**Midyear 2006*

Source: CUNA and NCUA

SOHOs. For an untapped small-business opportunity, Williams suggests looking no further than the small-office/home-office (SOHO) market. There are about 29 million SOHOs in the U.S. with anywhere from one to 20 employees. Seventy-two percent of American households are thinking about starting a home office or a work-from-home business, according to a 2006 Harris poll.

Wealth-management offerings need to be part of any discussion with small-business owners.

Many SOHOs, however, fall victim to their own poor billing and collection practices or delinquent receivables from larger clients. Through technology, and with the rise of shared services, Williams believes financial institutions can find ways to help SOHOs balance their small size with big demands, noting that the activities SOHO employees would most like to delegate are bookkeeping, marketing/sales, and tax work, according to Working Solo, Inc.

Information and networking. Financial institutions might want to look for ways to help small business owners by leveraging their position as information middleman in a network of business customers. Because financial institutions collect a great deal of financial data regarding their business clients, the aggregation and sharing of this data can be of tremendous value to small business owners. Financial institutions use credit-analysis services—shouldn’t they be using the same information to advise their business clients on improved performance?

While you don’t want to turn your staff into consultants, providing industry information and best-practice advice to business owners could be a tremendous way to differentiate your business services. ■