Chief Executive | Pearl Meyer

Unleashing Your HUMAN CAPITAL POTENTIAL

Strategies for building and sustaining a robust talent pipeline.

There's nothing quite like a crisis for stress-testing carefully laid plans, and there's been no crisis quite like the one financial organizations have faced over the past year. The pandemic forced banks to shut their doors and shift to remote work while simultaneously helping consumer customers transition to online banking and business clients deal with disruption and navigate government loan relief programs. For many, 2020 definitively demonstrated the need to rethink every aspect of business—from leadership development to embracing digital transformation.

"This has been an interesting year to revisit succession planning," Laura Hay, managing director at Pearl Meyer, told financial industry business leaders who gathered for a recent roundtable discussion on talent management. "Banks saw leaders emerge who may not have been in the executive ranks before but rose to the challenge, and others who really didn't. The pandemic also, unfortunately, put emergency succession plans for both boards and executive teams to the test."

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Populating Succession Pipelines

In identifying potential future leaders, it's important to recognize that a bank's next CEO might need different competencies than those that served the organization well in the past. "What it took to be a CEO 15 years ago is different from what it takes today, which is different from what it will take 15 years from now," says Shruti Miyashiro, CEO of Orange County's Credit Union.

For Evans Bancorp CEO David Nasca, a rocky leadership transition at a previous company drove home the importance of developing leaders and a robust succession plan well in advance. "It spun out of control," he recounted. "When I came to Evans, one of the things we tried to do was plan from the CEO down two layers, so my seat, the senior leadership team seat and then management below that," he says, noting that the effort paid off after pandemic-prompted turnover. "When people reassessed their lives during Covid, they reassessed their careers, and we saw some get disengaged and sort of wander away. Having some level of succession planning in place helped us in recouping those losses."

At many banks, the events of the past year served to underscore the importance of talent development programs not only in the C-Suite, but down into the ranks. FirstBank, for example, adopted a talent program a year in advance of the pandemic that helped the bank weather the storm, reports Agenia Clark, a director at FirstBank. "We started looking at talent from the bottom up and disaggregating performance reviews and compensation and having more conversations," she said. "We asked, 'Is there a role that you see yourself taking in the future that we need to groom and prepare you for as the bank continues to grow?' Having that talent advantage program already developed and implemented really put the bank in a strong position for unleashing human capital during the pandemic."

Talent Development

Pressure to operate more efficiently is also fueling a drive for financial institutions to look more deeply at employee development throughout the organization. As banks pursue branch optimization and lean staffing goals, there is a need to redefine and sometimes combine roles. "I've had several clients say, 'We have to think this through because it's getting harder to get the efficiencies we need to be as profitable as we want,'" says Hay. "They're discovering the need to break down silos and change culturally in order to be able to cross-train people so that they can be flexible enough to contribute across functions."

Pulling people from their comfort zones to build skills by joining peer teams in other departments has proven successful for Collins Community Credit Union. "We gave them new identities, essentially, saying, 'We're going to pull you over to real estate, and this will be résumé-building for you," explains CEO Stefanie Rupert, who says the ability to do more with less through cross-training has been a game changer. "But at the end of six months or a year, if they said, 'This isn't for me,' we made sure to bring them back. What we found is that some people left, and some stayed and advanced. It was a really dynamic outcome."

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Greater emphasis on digitizing operations has also accelerated the need to help employees embrace agile thinking and adapt to the use of analytics in decision-making. During the pandemic, banks fast-tracked digital transformation initiatives to meet the needs of customers as they adopted remote banking and mobile apps during lockdowns. For many, that shift emphasized the importance of employee training and development efforts. "In talent development, the organization owes it to all of our individuals to have clarity on what is needed today and what is needed from an emerging skills perspective," says Miyashiro. "So, we frequently talk about where we are today, what we expect, not just from functional knowledge but also culture, soft skills and in handling what's coming next."

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To help workers get the skills they need, Orange County's Credit Union changed its tuition reimbursement program into a grant program open to associates at all levels. That additional flexibility enabled employees to spot emerging opportunities such as a growing project management office and take classes to position themselves for career path opportunities. The value the organization places on that training is then underscored by a personalized congratulatory note sent to each awardee from the CEO.

"It allows people to look beyond a bachelor's degree at what skills are needed to stay relevant, and then keep growing," says Miyashiro. "We have clear core values of growth and development. We're not just launching a program to check it off the list."

While getting workers up to speed on new technologies is crucial, it's also important to nurture or develop those team members capable of setting boundaries and timelines and enforcing them lest the digital initiative spiral out of control. That became an issue at Burke & Herbert Bank, reported CEO David Boyle, who came into the 168-year-old bank two years ago midway through a technology buildout. "We never had a project management team—we would just ask a bunch of people to participate with no accountability, no plan, no testing, no dates, nothing," he said. "It was wildly inefficient and ineffective."

Digital Development

Digitization also has companies competing to find and recruit tech-savvy talent. Nasca points to the relatively new CIO at Evans Bancorp as an example, noting that she is banking on bringing in recent graduates steeped in new technologies to help ready the company for the changes afoot. "She looked and assessed in her first 120 days," he says. "She believes that if you have people in the organization today along with people who have new skills, you can weave them together into a proactive force moving forward."

Attracting digital talent, however, can be challenging. "Some institutions, banks and credit unions have actually gone out and purchased a fintech company to become part of their organizations, while others bring in high-tech executives," noted Karen Butcher, a principal at Pearl Meyer, who adds that established companies often need to adapt their compensation structures to attract digital natives. "One bank brought in an entire technology team and gave them their own compensation program, completely separate from the traditional banking structure. We'll see more of that need to be flexible and innovative in how you're compensating these people going forward among banks that want to attract the best digital talent."

Curating the Culture

At the same time, companies that opt to adjust pay practices or other office norms to lure new talent risk alienating the workers they already have. More lucrative pay and bonuses or visible perks like the foosball and ping pong tables that tech startups are famous for can breed resentment. "That happened when I was at McDonald's and we went through various iterations of trying to be a tech company," said Phil Cabrera, a director at Byline Bancorp. "You [can unintentionally] create a prima donna environment. If you're going to set up different compensation, you have to be sure it's done in a way where everybody is part of the team."

Building and nurturing a strong corporate culture is the most effective way of staving off that type of discord. "Culture is about alignment," says Miyashiro. "And intentional conversations to ensure that alignment happens within the organization in such a way that the best of us remains, but the opportunities for growth so that we remain relevant are also developed."

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That's always been the case for Ponce Bank/PDL Community Bancorp, a bank that was created 60 years ago to meet the underserved community of the Bronx, New York. "I have a lot of people who started as receptionists and tellers, and we helped them grow over the next 30 to 35 years," says CEO Carlos Naudon, who credits the bank's strong culture for its success in onboarding new team members during the pandemic. "In the middle of this pandemic, it's really been incredible that we have been able to seamlessly bring these folks in and have them working from home."

Effective leadership plays a pivotal role in engaging workers and ensuring that projects stay on track, adds Brad Oates, a director at CIT Group. "One thing that's a characteristic of every champion team is that everybody gets better every single day—the moment you engage, you're trying to be the best you can," he says. "And you need captains on the team that model what that means."

Delivering on that imperative demands careful management of the talent pipeline, including succession planning. Ultimately, it's successfully addressing the human capital side of the equation—developing employees' skill sets and nurturing leadership at all levels—that will position financial organizations to meet new market challenges and drive sustainable long-term value. ■