

Does your Talent Differentiate you from your competitors?

What makes a bank different from its competitors? Some might say its products and offerings; some might say its service level, while others might say its strategic vision. On the surface, all of those answers are right. But the underlying truth is that your products, services, and strategy are worthless without people. It is people that design, create, and sell your products. It is people who provide the elite service to your customers. It is people who think up and execute your strategy. People are the underlying resource in your bank and they will be what differentiates you in the marketplace.

Over the past few months, we have been focusing on how to make your bank different from your competitors. In January, we looked at the Core Values and how most banks choose values that are worthless in driving differentiation. The majority of banks have bland values around Integrity, Excellence and Teamwork, but these are traits that are price of admission in the banking world. A bank cannot survive if it does not act with honesty or integrity. While these kinds of traits and values are important, they will not differentiate you and your bank will blend into a sea of similar looking banks.

If you truly want to be an elite bank, your differentiation strategy needs to be rooted firmly in your Core Values and different strategies require different Core Values. If you want to be the Product Leader, then you need have Values around Innovation, Calculated Risk Taking or Quality Focused. If you want an Operational Excellence differentiation strategy, you need Core Values of Process Excellence, Simplicity, or Value for Money. On the other hand, having a Customer Service differentiation strategy means your Core Values should be centered on Flexibility, Entrepreneurial Spirit, or Going the Extra Mile. By embedding your strategy in your Core Values, you can then take the next step and make sure that all of your employees are aligned and all driving towards the same goals.

And this is where we picked up the concept in the February article, which discussed how to embed your Core Values and Differentiation Strategy into your Performance Management process. We challenged you to realize that performance objectives should have a laser like focus on delivering the differentiation strategy. Every single person should be working towards making your bank a “*Premier Performer*” and anything else is just a waste of effort. This isn’t kindergarten where you get credit for showing up. To truly be a “*Premier Performing*” bank, your people need to achieve greatness and that requires a singular focus on driving the differentiation strategy.

This month we are going to continue our discussion on embedding your differentiation strategy and Core Values in your people; specifically, by making sure you have the “talent” needed to deliver your vision of success. The talent within your bank will be what sets you apart. If you have the right people, with the right skills, then achieving Premier Performance will almost a foregone conclusion.

The Talent Management Process

The problem is that most people only pay lip service to managing their talent. While 75% of companies will say they engage in talent reviews and succession planning; only 25% actually use a formal process. Ensuring you have the talent to achieve your 5-year strategy is not something that can be done on the back of a napkin. It requires you to analyze the capabilities of your employees and have in depth discussions on whether or not these are the capabilities you need for the future. Just like you conduct offsite strategic planning retreats, you should also be conducting strategic talent reviews.

A formal Talent Management process does not mean complexity and as regular readers of the Human Capital Series know, we believe in only the simplest approach to Leadership. The Human Capital Banking approach to Talent Management focuses on four steps: Assessing Alignment to Core Values; Performance vs. Potential; Succession Planning; and building Development Action Plans

1) Alignment to Core Values - The first step in identifying the talent within your bank, is to start by assessing how each of the people lives up to the bank’s Core Values. Most people start with defining

Talent by looking at their performance, but this is wrong. How beneficial is a high performer if they act in a way opposite to your Core Values? In today's environment, you do not have the luxury to invest in people who will not help you achieve your differentiation strategy.

2) Performance vs. Potential - Once you have assessed your peoples' alignment to your Core Values, you can then start segmenting your people based on their Performance levels and their Potential for the future. This Performance vs. Potential analysis will help you in focusing your limited resources to the people who will help your bank the most.

3) Succession Planning - A by product of the Performance vs. Potential analysis is identifying the employees who have the potential to succeed your leaders and managers, but Succession Planning is not about putting names on a list. It is about identifying what are the current skill gaps and required developmental actions that will allow the person to succeed the leader.

4) Development Action Plans - The final step in Talent Management is to put all decisions down on paper and create individual Development Action plans. This is also the step in the process where you work with the individual employees to set agreed upon actions and commitments. Without formal Development Action plans, then the processes of Identifying Talent and Succession Planning are a waste of time for you and your bank.

Alignment to Core Values

Most banks, let alone most companies, do not start their talent processes by running a Core Value assessment. This is unfortunate because it is a critical way of making sure you have the right talent to achieve your long term strategy. For example, if your company wants to differentiate itself by having elite customer service and flexibility, you may not want your Commercial Leaders to be solely focused on removing cost from the processes. On the other hand, if you want your bank to be a leader in low cost/efficiency, you do not want your Branch Managers acting like little entrepreneurs. Talent Management is all about thinking long term and making sure you are investing in the people that will help you achieve your differentiation strategy.

The process of a Core Value assessment is simple. It starts with the Manager assessing all of his/her direct reports for each Core Value. We prefer a three point scale for the assessment.

1. Needs Improvement - The employee does not demonstrate all of behaviors/actions of the Core Value.
2. Minimally Acceptable - The employee lives up to some of the behaviors/actions, but not others.
3. Good - The employee lives up to all of the behaviors/actions.
4. Best in Class - The employee is seen as the one of the best demonstrators of the Core Value and can help others also live up to the Core Value.

The second step of the Core Value assessment, is for each manager to share the assessment with the bank's leadership team and to calibrate the assessments across the bank. This calibration session makes sure everyone is comparing apples to apples and not to apples to oranges. This kind of assessment might seem kind of simplistic, but that is the point. The value of the assessment is not in filling out the form, but in the calibration discussions with the rest of the bank's leaders. Your Core Values are supposed to be something that everyone is living in their DNA and this process makes sure that all leaders are similarly driving the Core Values across the rest of the bank.

Assessing Performance vs. Potential

Living up to Core Values cannot be the sole measurement when identifying Talent. To really know who Talent is within your bank, you also need to compare and assess your employees' performance over time and their potential for advancement. This is where the Performance vs. Potential 9-block comes in handy. The 9-block is a 3x3 matrix where you plot your people along two axes (Performance & Potential).

- * Performance - The performance of the person over the last three years. Has the person been a consistent performer, or just had on lucky/unlucky year? When looking at performance, you need to take the long term view. Everyone can have a good or bad year, but top performers consistently rise above and deliver the results.

- * Top Performer - While we would love to think that everyone in our bank is a Top Performer, the reality is that not everyone is. This rating is for the people that truly and consistently surpass their expectations and objectives.

- * Average Performer - If you are honest in your ratings, the majority of your employees will fall under the average performance rating. This rating is for the majority of people who consistently meet their objectives.

- * Low Performer - For whatever reason, these people are not meeting their objectives. By taking the three year view, you can remove all the external factors to low performance and be left with the people that just aren't cutting it.

- * Potential - The potential for advancement. Can the person take on higher roles or increased responsibility? Unlike Performance, there is nothing wrong with people not having the potential to advance to the next role. A bank does not need 50 CEOs; it also needs tellers, accountants, loan officers, etc...

- * Leadership Focus - These are the people who have the potential to become your next generation leadership team. The simple rule is the person has the potential to jump two promotion levels in five years.

- * Growth Focus - These are the people who can grow above their current role and, possibly, expand their responsibilities. The simple rule is the person has the potential to take the next level of promotion.

- * Mastery Focus - These people do not have the potential to rise to higher levels than their current role. The focus for these individuals should be to master their current role and responsibilities. They should become the experts in their field.

The process for assessing Performance vs. Potential is simple and follows the same basic steps as the Core Values Assessment. The first part is for the managers to place their direct reports somewhere on the 9-block matrix. The value comes in the second step where the managers must present their ratings to the rest of the leadership and then calibrate the ratings across the entire bank. Different departments might have levels of Talent. By calibrating across the entire bank, you are ensuring that Talent from the finance department is the same level as Talent from the commercial department (for example).

In next months Human Capital article, we will finish our discussion on Talent Management by showing how you can use your assessments of Core Values and Performance vs. Potential to make Succession Planning decisions and eventually create Development Action plans.

How Human Capital Banking can help you Differentiate yourself

From our experience, we see most companies fall into two categories: either their Talent Management processes are overly complex and nothing ever really gets accomplished; or they think about Talent Management too casually and their Talent ends of withering on the vine. Talent Management is only worthwhile when it is simple enough to be used on a consistent basis, while also being focused ensuring you have the right people with the right skills for your long term strategy. This is where “*Premier Performing*” banks separate themselves from the herd. They make sure they are investing their limited resources in the Talent that will deliver their strategy and nothing more.

But the process for embedding your differentiation strategy into your Talent Management process is not easy and this is what Human Capital Banking wants to support you in. Our partners have led countless strategic retreats over the past 30 years and can help your bank differentiate itself. From there, our Human Capital services are designed to translate your bank's strategy into clear people actions. We will help you identify which of your people is best suited to achieve your 10-year vision. We will help you develop and grow your people to make sure they have the right skills needed for your strategy. We will help you select the best candidate for an open position that not only fits the job criteria, but also has the best organizational fit with your bank.

We want to be your bank's partner in differentiating yourself from every other bank. Whether it is Human Capital Banking, The Findley Group or Young & Associates, we can help you build your strategy for success. If you would like to read any of the past Human Capital articles, especially the *Decisive* series, you can find them all on www.HumanCapitalBanking.com

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