

## Translating your Bank's Business Strategy into a Human Capital Plan

For the past 8 months, we at the Findley Reports have been writing about the importance of Human Capital. We have shown you how an engaged employee is a *Premier Performing* employee. We have walked you through the basics of recruitment and how selecting the right people for your bank, is just as critical as setting your strategy. We have guided you through the change management process, explained how your bank's compensation practices drive your strategy, and how to set the performance objectives of your people and assess their performance at year end. We continuously repeat the need to have a Human Capital Plan for your bank that is aligned with and drives your long term strategy. So to help you, the next four monthly installments of the Human Capital series will guide you through the process of building your Human Capital Plan.

Over the next four months, we will walk you through the four different stages of building a Human Capital plan.

1. Translating your Business Strategy into Core Competencies and Behaviors.
2. Assessing your current employees against the core competencies and behaviors
3. Succession planning, gap analysis, and targeted recruitment
4. Development planning to meet the strategy

By following these steps, using the tools we describe, and spending time giving serious thought to your Human Capital, you and your bank can create a Human Capital plan that drives the long term strategy of the bank. But before we can even begin creating a Human Capital Plan, we need to ensure that your bank's business strategy is sufficiently comprehensive and long term in scope.

### Your Bank's Business Strategy

A lot of the banks we have seen tend to focus their efforts on 1 year goals, and usually those goals tend to be only financial outcomes. The Findley companies have always pushed Boards and managements to think long term. Who are your customers in 5 to 10 years? What are the special services and offerings that make your bank different from your competitors? Does brick and mortar work in the future? What is your relationship with the regulators and the overall financial community and where will that evolve? Creating a strategy that only focuses on financial goals is like driving a car by only using the gas and brake. At some point you need to steer your bank towards your customers, your community and your vision!

When building your bank's business strategy, there are three main phases:

1. Analyze your current situation - Before you decide where you want to go, you need to know where you are. During this phase you need to analyze you current organizational situation, the market / environment you work in, your customers, your shareholders, and your competitors. The following are tools and ways of analyzing the current situation of your bank.
  - SWOT Analysis - The SWOT analysis looks at your bank's Strengths, Weaknesses, Opportunities, and Threats. This is a good tool because it looks at the positives and negatives of your bank, and at the same time looking at the internal (S & W) and external factors (O & T) impacting your bank.
  - SLEPT Analysis - The SLEPT analysis is a great tool at analyzing the environment and market of your bank. This tool looks at how your bank is impacted by Sociological pressures (perceptions of banks after financial crisis), Legal regulations, Economic issues (how your community is performing economically), Political trends (trend towards more regulation), and the Technological effect (move towards online banking).
  - Stakeholder Analysis - Your bank has many stakeholders, but the 2 that should be at the top of your priority list are your customers and your shareholders. Who are your current customers / shareholders? What do they want / need from your bank? What do they not want? What are their priorities, and how can your bank help fulfill them?

- Competitor Analysis - Who are the banks you are currently competing against? What are their offerings and services? Who is their customer base? What are the banks you aspire to compete against? What are their offerings and services? Who is their customer base?
2. Identifying the Vision of the Future - Everyone needs a goal to strive to. What do you want your financial situation to be in five years? What do you want your reputation and brand to be? Who do you want your customers to be? The following are tools to help you create your bank's vision of future success:
    - Visioning through Headlines - One of my favorite exercises, for creating a vision of the desired future is using the concept of newspaper headlines. Imagine that a newspaper / journal feature is being written about your bank five years from now. What is the cover? What are the headlines? What are the images? What are people saying about the bank - the quotes? Why is the newspaper featuring you, and not your competitors? This exercise helps create a high level picture of what you want your bank to accomplish in five years.
    - 15 words - Have your management team define the future of your bank in 15 words. See if there are any common words or ideas. Then have the management team write the 15 word future statement again, this time using the common words or ideas. Continue this process, until the team has developed the 15 word statement that best describes the future of your bank.
  3. Building your Roadmap to the Vision - Once you have a clear understanding of your current situation and you have a defined vision of the future, all you need to do is start outlining the required steps to get you from point A to point B. The following are tools that help you create your roadmap of required actions:
    - Backward Imaging - Creating a list of actions from your starting point can be tough. Sometimes it is easier to work backwards from your vision of the future. What actions, projects, behaviors, competencies, etc. are required for the vision? What needs to be in place before the vision is achieved? What needs to be in place 1-2 years before the vision is achieved? Remember - No one eats the elephant in one bite. Break your vision down into actionable bite size chunks.
    - PRPO - PRPO stands for Problems, Roadblocks, Possibilities, and Opportunities. This tool helps identify what is going to hinder your journey towards your vision and what will help you. If you identify problems and issues ahead of time, you normally can avoid them or minimize their impact with a counteraction plan.
    - Maturity Roadmap - Once you have a list of actions, projects, counteractions for your 5 year journey, it is best to start putting them in a timeline. Not everything needs to be accomplished at once, and some things required a high level of maturity to be successfully implemented. How you define the stages is up to you, but I find it helpful to think of the following stages (assuming a 5 year plan). 1) Current state (baseline), 2) Improving State (years 1-2), 3) Succeeding (years 3-4) and 4) Leading (year 5).

## Does your Bank's Human Capital Currently Support your Vision?

The ability to translate vision and strategy into Human Capital actions is what separates *Premier Performing* banks from the rest of the pack. Think about it... All your competitors probably have very similar financial goals as you. They want to increase their assets, increase their equity, increase their earnings, and decrease their risk. What will separate you from your competitors is your ability to convert these financial goals into specific actions, behaviors, and skills within your employees. Because in the end, the only real difference between Bank A and Bank B is the people. The same stages that we used in creating your business strategy, are applicable in creating your Human Capital Plan.

But since you already have business strategy, you start by analyzing how your bank's current Human Capital organization is supporting or hindering the future vision. This does not mean you start

evaluating your people (this is a later stage and will be covered in next month's article). At this stage, we want to look at the different structures, policies, and strategies that are influencing how your Human Capital performs. I always look at the following 6 areas within an organization to determine the current state of the Human Capital. Within your bank, I suggest a facilitated day long workshop with your management team to answer questions like the following:

1. Strategy:

- What has changed in our markets, customers, processes, or systems?
- How do these changes require us to work differently?

2. Structure:

- Where are the levels of decision making within your bank? Who has the power to decide?
- What types of decisions get stalled and why?
- How flat or vertical is your bank?
- How does the structure of your bank impact communication, engagement, or customer interaction?
- What type of management / team structure is required for your vision?
- Are new or different roles required within the new structure of the bank?

3. Processes:

- How does the information flow within our bank?
- How effective is our bank at getting the work done and projects completed?
- Where do conflicts, inefficiency, and / or confusion occur?
- Are new or different roles required to improve the processes within your bank?

4. People Policies:

- Do your employees have the expertise required for the vision?
- What are the behavioral changes that are needed to deliver on the vision?
- Are we aligning all our Employee Management tools to the new vision? (Recruitment, Performance Management, Development, etc.)
- How are we engaging our people?

5. Reward Systems:

- How are we motivating people to deliver on our vision?
- How are we rewarding our people to encourage the desired behavior?

6. Culture:

- How are we enabling and/or driving innovation?
- How are we enabling and / or driving premier performance?
- What cultural elements should remain the same? Why?
- What cultural elements should change? How?

## **Breaking Down the Vision into Actions and Behaviors**

When translating your vision and strategy into objectives and behaviors, it may be best to use the Bull's Eye method. We know that most bankers have felt the Bull's Eye has been on their chest for the last few years. But here the Bull's Eye method allows for the leaders in the bank to start refining the high level concepts into tangible actions. The Vision of the bank gets refined into a specific mindset, and then further refined into specific behaviors. The long range strategy of the bank gets refined into Maturity Roadmap for the bank, and those objectives get further refined into specific objectives for departments. In the end, the department or profit center objectives can be refined into individual employee actions and objectives.



The key to the Bull's Eye method, or any method of boiling down vision into actions, is to make sure you think about the WHAT and the HOW! Most managers have an easy time converting strategy into projects, and formulating WHAT needs to be accomplished. But the hardest part is defining the HOW these projects and actions need to be accomplished. This is where we managers must focus their energy. Take a moment and to think beyond the strategic actions within your bank and contemplate the behaviors and culture that is required of your team to achieve those actions. Many banks have the strategic goal of growing the loan totals for 2012 and 2013 - but in the end, what good is your goal of increasing your loan totals by a certain percentage if you don't convert that goal into specific actions and behaviors of your loan officers? Who are the customers that will provide this loan growth? Do your loan officers have the right skills and attitudes to attract these customers? Are your bank's processes and people aligned to your new loan customer's demands? These are the types of questions you need to answer if you really want to grow your loans in this market.

The goal of the Bull's Eye tool is to define the core behaviors, skills, and abilities that you want to see from your employees. For example, if your vision is to have incredibly loyal customer, you may want your employees to have a customer focus mindset. The customer focus mindset translates into the specific behaviors of listening to the customers, proactively communicating to the customers, having empathy for the customer's situation, and understanding the business of the customer. Once you have defined the core behaviors that are critical for your bank's vision, you can move on to the next phase on building your Human Capital Plan, Assessing your Employees. But this will be covered in next month's article.

## Premier Performance Through Your Human Capital Plan

While it may be repetitive, we can never emphasize enough the importance of the Human Capital within your bank. It doesn't matter if you have the best strategy, the best systems, the most financial capital, and the best branding. If you don't have the right people, you won't be a *Premier Performing* bank. In fact, the right people can overcome mistakes in strategy, gaps in systems, limited financial capital, and a poor brand name. So join us next month as continue to explain how your bank can build its Human Capital Plan and be truly *Premier Performing*.

If you would like guidance in creating the Human Capital Plan for your bank - contact me. Together we can assess your current situation, and we can put together a plan to get you to *Premier Performing* bank status.

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