

## **Does Your Succession Planning Differentiate You From Your Competitors?**

What makes a bank different from its competitors? Some might say its products & 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 associated with 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 the 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 to have Values centered 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.

And finally, in March we started exploring the concepts of "Talent" and making sure you have the "talent" needed to deliver your vision of success. This can only be done by aligning your Core Values and differentiation strategy with your definition of talent. 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 be 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 they have 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 4 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 assess how each of the people lives up to the bank's Core Values. Most people start by 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 of investing in people who will not help you achieve your differentiation strategy.
- 2) Performance vs. Potential - Once you have assessed your people's 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 on the people who will help your bank the most.
- 3) Succession Planning - A byproduct 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, the processes of Identifying Talent and Succession Planning are a waste of time for you and your bank.

### **The Key to Succession Planning: Your Bank's Long Term Vision**

If you ask the number one concern of most bank leaders when it comes to people, the answer is usually Succession Planning. But when I ask them what they are currently doing, their focus areas are completely wrong. Most of the leaders I have talked to are too focused on identifying and planning for the individual successors. They want to know what the best criteria are for selecting the next leader. What they haven't realized is that succession criteria are something that is determined by the long term Vision of the bank.

The key to a successful succession plan is not a tool or methodology. The key to identifying the next generation of leaders is to know what you want your bank to look like in 10 years and having a plan for what will differentiate your bank from its future competitors. By knowing the destination, your succession planning is made exponentially simpler. If you can't tell me where you want your bank to be in 10 years, then I cannot tell you what type of succession plan you need.

Let's say the Vision for your bank is to triple in size over the next 10 years by M&A, branch expansion, and having a commitment to customer service. Already you can identify key needs for any future bank leader. The next generation of leaders will need to have knowledge and experience in assimilating a team with a different culture into your bank's culture. They will need to have significant strength and specialization in providing elite customer service. These talent requirements are completely aligned to the Vision of the bank. If the Vision of the Bank was to expand your online services to reduce costs, then a different type of leader is needed. The same goes for any long term Vision or differentiation strategy.

Once you have a clear idea on the Vision of the bank, the process of succession planning is actually very simple. The first step in the process is to gather the Talent information from the Performance vs Potential 9 block. This will provide you with all of the potential talent within the bank who could be identified as a potential successor.

The next step is for each individual leader to identify for their specific position who among the talent population is "Ready Now," "1-2 years away from being Ready," and "3-6 years away from being Ready." Consider this the first draft of the succession plan, as the next step is for each leader to

present their proposed succession plan to the rest of the leadership team. As with the 9 block, these calibration discussions are actually the most valuable part of the succession planning process. It is one thing to have individual preferences, but the success of the bank requires input and consensus from all of its leaders. Who you may consider a perfect successor may raise several concerns among your fellow leaders. Calibrating your succession plans ensures that you have identified the next generation of leaders that will have the skills and capabilities to deliver the Vision of the bank.

### Individual Development Action Plans

The final step of any Talent Plan and Succession Plan is to use all of the assessments as information to create developmental action plans. Think about it, up to this fourth step, the Alignment of Core Values, the Performance vs Potential analysis, and the Succession Plan have all been identifying the skills and abilities your people either currently have or need to have to deliver the Vision. But identifying strengths and gaps is only worthwhile if you translate the analysis into action plans.

When it comes to developing the talent to deliver your long term Vision, there are three different ways to invest in your people: Developmental Role Investment, Senior Leader / Board Time Investments and External Development Investments:

- **Developmental Role Investments** - It is a scientific fact that people learn better in developmental roles than they do in a classroom. You can read all the books you want on how to fire someone, but in the end the first time you fire someone will leave a bigger impression on you. The same can be said for every other skill and capability. The easiest way to develop your talent is to give them roles, projects or assignments that challenge them and help them build the skills of the future.
- **Senior Leader / Board Investments** - An executive's time is valuable, and your people know it. Most people believe that it is a significant investment and honor to receive one on one coaching from the executive. Through coaching, the senior leader can share his/her knowledge and experiences and guide the employee through their own developmental growth. Exposure is another great developmental action. While some of you spend your life in front of the board, to most employees the board of directors is a distant concept. Having a "talent" present his/her project to the board not only gives the employee recognition for great work, but it also helps your board start forming a relationship with this next generation of leaders.
- **External Development Investments** - Not everything can be learned through first hand experience or by coaching. Sometimes you need to go to a class, or read a book. The important thing to remember is that any external course needs to provide a skill required for the long term vision. Not everyone needs an MBA to be a great leader. As a bank, make sure any external investments you make will have a significant ROI and fill in some skill gaps that are required for your bank's Vision.

Unfortunately, most people think that talent development can only be accomplished through external courses. You would be surprised at how many people automatically assume that an MBA or a certification program will solve all the developmental needs. It isn't the case. Scientific research has proven that the ideal development split follows the 70-20-10 ratio. 70% of development comes from Developmental Roles / Projects, 20% comes from coaching and mentoring from Senior Leaders / Board members and only 10% comes from external training courses or books. In line with the 70-20-10 methodology, below is a sample on splitting your developmental investments across the 9 block Performance vs. Potential matrix. (This example matrix comes from *One Page Talent Management* by Marc Effron and Miriam Ort.)

	<b>Mastery Focus</b> (Lowest potential category)	<b>Growth Focus</b> (Middle potential category)	<b>Leadership Focus</b> (High potential category)
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<b>Top Performer</b>	Special Projects: Yes Development Role: No Ldr/board exposure: Maybe External Investment: 1.5x avg	Special Projects: Yes Development Role: Yes Ldr/board exposure: Yes External Investment: 2x avg	Special Projects: Yes Development Role: Yes Ldr/board exposure: Definitely External Investment: 5x avg
<b>Average Performer</b>	Special Projects: No Development Role: No Ldr/board exposure: No External Investment: 0.5x avg	Special Projects: Yes Development Role: Maybe Ldr/board exposure: Maybe External Investment: average	Special Projects: Yes Development Role: Yes Ldr/board exposure: Yes External Investment: 2.0x avg
<b>Low Performer</b>	Special Projects: No Development Role: No Ldr/board exposure: No External Investment: None	Special Projects: No Development Role: No Ldr/board exposure: No External Investment: None	Special Projects: No Development Role: No Ldr/board exposure: No External Investment: None

### How Human Capital Banking Can Help You Differentiate Yourself

From our experience, we see most companies fall into two categories. Either their Succession Planning processes are overly complex and nothing ever really gets accomplished, or they think about Succession Planning too casually and their Talent ends of withering on the vine. Succession Planning 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 Succession Planning process is not easy, and this is where Human Capital Banking wants to support you. 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 lead 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 who not only fits the job criteria, but also has the best organizational fit with your bank.

If you want to know more about the our approach to Succession Planning, the Human Capital Banking principals will be making presentations on Succession Planning at the CIB Annual conference in September. We will be looking at Succession Planning from two perspectives: Board Succession and C-Level/Senior Leader Succession. We will share with you our 50+ years of banking leadership knowledge, and how to achieve your long term Vision through Succession Planning

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](http://www.HumanCapitalBanking.com)

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