

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

For the past 9 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.

Starting last month and continuing through July, 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, your bank can create a Human Capital plan that drives the long term strategy of the bank. We use the terms you and your bank a lot because the right Human Capital Plan is not a boilerplate plan but is unique to your bank and your employees! We can facilitate - but it is YOUR PLAN!

Reviewing How to Translate Vision into Behaviors/Actions

The first stage in building your Human Capital plan is to translate your financial strategy into a vision, and then into concrete actions and behaviors you want your employees to embody. This ability to translate vision and strategy into specific behaviors and 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 assets, increase equity, increase earnings, and decrease 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 for the benefit of your bank and those its partners.

As described last month, the critical aspects of translating your strategy into core behaviors and actions are:

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. Tools = SWOT, SLEPT, stakeholder analysis, & competitor analysis.
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? Tools = Visioning through headlines & 15 words.
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. Tools = PRPO, backward imaging, & maturity roadmap
4. Refining the Vision into Concrete Actions / Behaviors - It's one thing to have the idealist vision of what you want. It's another thing to be able to describe in specific examples what you want your employees capable of performing. For example, elite customer service means that your

customer facing employees know your customers' names and can greet them by sight. Tools = Bulls Eye.

Measuring Employee Alignment to Your Vision

Once you have refined your bank's vision into concrete actions, behaviors, and skill sets, it is possible to evaluate your employees against this vision. I always recommend that this process be performed by at least 2 people (the direct manager and a peer manager of another department). The direct manager usually has the best feel of the strengths and weaknesses of their people, but as they are human they can be biased. That is where the peer manager comes in...To be the mirror and the sounding board. Between the two managers an accurate picture of the employees and department can be drawn.

As for your rating process, I always recommend a 4 point rating system.

1. Unskilled = The employee does not perform the behavior or hold the required skill set. The employee performs behaviors contrary to the desired behaviors
2. Learning = The employee is still learning the new skill set or learning how to perform the new behaviors. In time, the employee should progress to fully skilled level.
3. Skilled = The employee fully performs the behaviors or skill set to expected levels.
4. Expert = The employee can teach others how perform the behaviors or skill set.

From a practical note, I also recommend that you capture this assessment of the employees' behaviors and skill levels within an Excel worksheet, and if possible use color formatting to highlight the different ratings. This conditional formatting within Excel will make it easier for you to see patterns within your people, and track progress in future year assessments. If you would like an easy template that I have already used for other banks and enterprises, please contact me at cary.baileyfindley@gmail.com.

After you have evaluated all of your employees against your vision, you should be able to see some clear patterns. What skill or behavior is clearly the strongest amongst your team? Where is the biggest capability gap in your team? How will these areas of strength and areas of weakness impact your fulfillment of the vision? Are there any specific actions that must be taken with individuals on the team to strengthen the team as a whole, or address one of the gap areas? Given the bank's strategy and vision, do you have the right people to drive the change and achieve the vision? None of these are easy questions, or questions that can be answered in a 15 minute discussion. This is the kind of discussion you need to have amongst your leadership team. It is only by having an open and honest discussion with your leadership team can you ensure that your employees will be aligned to the bank's vision.

Who is your Top Talent?

One of the byproducts of assessing your people against the vision of your bank, is that you will be able identify which people are best suited to drive your vision, and which people may hinder it. This knowledge is critical, since most banks do not have infinite resources. Therefore, any people investment that you do approve needs to be aligned with driving your vision. Where are you going to get the most bang for your buck? To help you in this decision process, I recommend using a performance vs capability matrix.

In short, the performance vs capability matrix is a 2x2 square. On one side you have the performance of your employee (High Performer vs Low Performer). The performance should be an average across time. (See my Dec 2011 and Jan 2012 articles if you need help on standardizing your performance ratings). On the other side, you have your rating of the employee's capability to support and drive the vision of the bank (High Capability vs Low Capability). If you evaluate one of your employees as having skilled or expert levels in alignment to your vision than that person should be rated as highly capable. See below for an example of the performance vs capability matrix, and what actions your bank should do regarding each type of person.

Performance Across Time	High	<p>Key Contributor - These people are high performers, but for some reason do not have the capabilities for the future state of the bank, or do not believe in the vision of the bank.</p> <p>Recommended Actions:</p> <ul style="list-style-type: none"> - Ensure that the vision is properly communicated to them, specifically the required future capabilities. - Explain “What’s In It For Them” - If they show desire to align to the vision, invest in their development. - If they show no desire, begin planning for their succession 	<p>Vision Driver - These people are high performers and highly aligned with the vision of the bank.</p> <p>Recommended Actions:</p> <ul style="list-style-type: none"> - Invest in their development through increased responsibilities, or outside training - Enlist them as ambassadors for the future vision of the bank. - Publically recognize their efforts, and use them as the example for the rest of the team
	Low	<p>Deadweight - These people are low performers and do not have the future capabilities required by the bank’s vision</p> <p>Recommended Actions:</p> <ul style="list-style-type: none"> - End the relationship 	<p>Untapped Potential - These people are low performers, but they have the skills and capabilities required for the future of the bank.</p> <p>Recommended Actions:</p> <ul style="list-style-type: none"> - Start a performance management process to see if you can improve performance - Invest in their development if will improve their performance, and thereby create another Vision Driver. - Assign them to the change projects that will bring about the vision
		Low	High
Capabilities Aligned With Bank’s Vision			

Premier Performance Through Your Human Capital Plan

Your people will be the drivers of your banks success. If they are not aligned with your vision nor do they have the capabilities to lead it, then it will not succeed. It is critical that you and your leadership team take the time to reflect on the capabilities of your people. Who are the people that will drive your vision? Who are your untapped employees with the greatest potential? Who should the bank invest in and or who the bank let go? These are not easy questions to answer, but they are critical to achieving *Premier Performing* status. The right people can overcome any 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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