Translating your Bank's Business Strategy into a Human Capital Plan Part 3

For the past year, we have been writing about the importance of Human Capital. We believe that building Human Capital within your bank is the secret to continued *Premier Performance*. 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 two months ago 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 strategic 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 the Stage 1 & 2 of Your Human Capital Plan

The first stage of building your Human Capital Plan is to define your goal. Your bank can do this by translating your financial strategy into a vision, and then into concrete actions and behaviors you want your employees to embody. Most of you are comfortable with defining your bank's financial strategy. This is the "What" you want to achieve. But as we have stated before, what sets Premier Performing Banks apart is the "How". 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 its partners. To get a better understanding of how to translate your financial strategy into a vision and competencies, we refer you back to Part 1 of this Human Capital series contained in the April 2012 Findley Reports newsletter.

The second stage of building your Human Capital plan is to use the critical behaviors and actions, and begin assessing your team on their ability to drive the vision of the bank. We always suggest that these assessment processes are not done alone, as it helps to get the feedback and opinions of other bank leaders. By assessing your employees' current abilities to support the vision, you will be able to identify the top talent within your bank. You will also be able to see gaps in skills and talent across your bank. Your current high performers might not possess the skills or abilities that your vision requires. An easy way to align your talent with your bank's vision is to use the 2x2 performance vs capability matrix we shared last month. Are your people Vision Drivers or Deadweights? Are they Key Contributors or Untapped Potentials? By linking your people abilities to the vision, you will be able to able to move on to the 3rd stage of your Human Capital Plan; Succession Planning, Gap Analysis, and Strategic Recruitment.

Building your Bank's Succession Pipeline

There are three things to remember when creating your bank's succession plan. First, a succession plan is not a guarantee. Too many people believe that being identified as a potential successor means that it is a guarantee they will get that job. But things change over the years, and the requirements of the role within the bank or the bank itself can change. So it is important to keep your succession plan up to date, otherwise it is just an outdated sheet of paper.

Second, the name succession planning can be misleading. The point of this exercise is not to plan out who succeeds who. That is the easy approach to many bankers take and often leads to disappointment. The point of succession planning is to determine the developmental needs of the top talent and potential successors. Putting your top loan officer on the succession plan for the Head of Commercial position doesn't mean anything unless you create a plan to address the experiential and developmental needs of the loan officer. Just naming someone a successor without actually helping them develop the skills and abilities to perform the higher role is a worthless exercise.

Third, you are building a succession plan for the roles in the future of the bank, not necessarily the roles as they currently stand. You need to be selecting talented successors that will drive the vision of the bank, not be entrenched in the past. Any identified successor should be able to perform the role as it is required by the vision of the bank, not the current state of the bank. Why would you promote someone to a leadership role of the bank if they don't have the skills or abilities to drive the future success of the bank?

When building your bank's succession plan, I always like to identify 3 levels of talent for each position:

1. Ready Now = These are the talented employees that are ready for the role right now. There are no gaps, and the person does not need any developmental actions before they would be successful. Unless you have an incredibly strong talent pipeline, you normally will not have more than 2 ready now talents per role.

2. Near Term = These are the employees that could possibly take over the role in 1-2 years. They are usually missing some key experiences and require that you invest in their developmental. This developmental could come in the form of a developmental promotion into a new department, or running a strategic initiative for the bank, or being more involved with the bank's leadership. Development does not mean training or education.

3. Long Term = These are the employees that are talented, but would require more than 3 years of experience before they are ready for the higher role. This is your long term talent pipeline, and while it may seem critical to solely focus on the ready now and the near term talent, if you don't build your long term pipeline than likelihood of you achieving your vision is that much harder.

The construction of your bank's succession plan should not rest with 1 member of the bank's leadership. The whole leadership team needs to be involved in assessing the talent within the bank, and agreeing on the potential succession development plans. This leadership team includes the board of directors. However, the leaders of the bank should not be discussing or placing themselves on the succession plan, as this is a potential conflict of interest. Remember that people may view themselves as more talented and more ready for being a successor, than the bank does. This information can be highly sensitive, and therefore should not be widely spread across the bank.

Identifying Gaps Within Succession

Once you have captured the different levels of talent within the bank, and the potential successors for the various leadership roles, you will undoubtedly find some gaps of talent. You may not have any ready now talent for your CFO, or your long term talent pipeline is empty in your operations department. Whatever the case may be, it is important to identify the succession gaps within your organization, and see if there are any overarching themes. Ask yourself the following questions:

- Do you have any significant gaps in the "ready now" or "near term" succession plans?
- Are the gaps across similar roles (like different roles within Operations) that show a larger gap within a department?
- What actions do you need to address these gaps? Do you need to Build the Talent (Development) or Buy the Talent (Recruitment)?
- How can your long term pipeline help your near term gaps?
- Do you have any significant gaps in the "long term" succession plans?
- What actions do you need to address the long term gaps? Do you need to Build the Talent (Development) or Buy the Talent (Recruitment)?
- Could the culture of the organization help or hinder your actions to address the gaps?
- From a timing perspective, which gaps are the most critical to address?

Within most companies, time and investment are limited commodities. You won't be able to address all of the gaps within your bank's succession plan, but you will be able to address the critical ones. Depending on the level of talent within your bank, you will need figure out how to either build the talented employees you current have, and/or go externally to the market and recruit the level of talent you need. To help you formulate your actions in addressing succession plan gaps, we will elaborate on recruiting for your vision, and next month we will discuss in detail how to develop your employees.

Buying Talent Through Strategic Recruitment

Strategic Recruitment is something you should be doing for every role within your bank. At its essence, strategic recruitment means you are recruiting based on the needs of the future, not just the needs of today. Too often the managers I work with are worried about filling a position as fast as possible. They are more worried about a butt being in the seat then they are if the person has the skills and abilities to drive the strategic vision. To be a truly *Premier Performing Bank*, you need top talent. And top talent is not the easiest thing to find. Be prepared to fight for your top talent.

The start of any strategic recruitment plan is to have a clear idea of the skills, abilities, and behaviors that you want from your new hires. Since you have already identified those key competencies in the earlier stage of the Human Capital Plan, this should almost be copy paste. Once you have a clear picture of the candidate you want to attract, this will allow you to narrow your recruitment options to those sources that give you the most chance of attracting the ideal candidate.

A great example of how your vision can impact recruitment is my current company. Traditionally my company recruited candidates from other shipping and logistic companies. They wanted the candidates to have similar experiences to our company. But a few years ago, the company decided to dramatically improve our customer focus and service. They stopped recruiting from our competitors and started recruiting from Starbucks. They figured (correctly) that they could more easily teach logistics to a barista, than they could from teaching a competitor's employee how to form a customer relationship. Their vision of a customer focused employee allowed them to recruit from a completely new source of candidates.

Another key aspect of any recruitment plan is to realize that most recruitment processes are a two way street. Top talent can be selective. If they don't believe in your bank, your vision, and their role within it, then they won't join. You need to make sure your bank's employment branding is attracting the talent you want. Is your bank known within the market? Is your bank seen as a strong place to work? What makes your bank special? What do you have to offer compared to your competitors or any other business? What opportunities for growth and development do you offer to talent? While most hiring managers think that money is the sole deciding factor, any candidate can tell you that the other factors within the bank are just as important.

The final aspect of a successful recruitment plan is to target employed “non-lookers”. Usually top talent is already employed, meaning the majority of the candidates on the market are not the superstars their resumes suggest. You need to pry these top talented “non-lookers” away from their current employer highlighting the key opportunities within your bank. The easiest way to recruit “non-lookers” is for your managers to adopt an “always be recruiting” mindset. Every time they are meeting someone externally, they need to be selling the bank, and thinking about how that person might fit within the bank. As for employees, they should be referring the bank, and being the talent scouts within the community. When everyone knows the vision of the bank, it becomes a simple process to see outside talent that would drive that 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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