Translating your Bank's Business Strategy into a Human Capital Plan Part 4

This month marks the year anniversary of the Human Capital section in the Findley Report's newsletter. This series was originally started with a 6 month trial period. We believed this topic would be beneficial to the banking audience, but we did not know how it would be received. Thankfully we received a lot of positive feedback and input, and we have used this feedback to make sure we are covering the topics that are important to you. This past year I have really enjoyed the opportunity to build your understanding of the importance of Human Capital, and I look forward to continuing this series over the foreseeable future.

Hopefully by now you have come to see how the Human Capital within your bank is the secret to continued *Premier Performance*. You have realized that 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 three months ago, we began walking 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, & 3 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.

The third stage of building your Human Capital Plan revolves around building your bank's succession plan using the vision and competences from stage 1 and 2. The goal is to match your bank's talent pipeline to the long term needs of the bank. Who are your talented employees that are ready to drive the long term success of your bank? That being said, it is unlikely that you will have all of the talented employees you need for that success. Depending on bank's situation, you will need figure out how to either build the talent level of the employees you currently have, and/or go externally to the market and recruit the level of talent you need.

In the last part of stage 3, we explained some of the key factors in conducting strategic recruitment. Specifically, your bank needs to have a clear understanding of what competencies and skills you are looking for, and then you need to make sure you are targeting the top level candidates with those critical competencies. But at the same time, the top level talent can be choosy. 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. By keeping these factors in mind, your bank can strategically recruit top tier candidates that will drive the long term success of your bank. After completing your succession and recruitment plans, the last stage of building your Human Capital Plan is to create development plans for your people that are in line with the long term vision.

Driving your Human Capital Plan Through your Performance Management Process

Before we get into the details of building a developing plan for your employees, it is important to realize that this stage of the Human Capital Plan connects perfectly with the Performance Management Process we have previously written about. While your Human Capital Plan sets the direction, your performance management process is the engine that is driving performance to the vision. There are 5 main steps in any formal performance management process. We use the concept **S.U.P.E.R.** to describe the formal performance management process. Rather than be a *Premier Performing* bank – why not strive to be a S*uper Premier Performing* bank!

1) **S** = Set the goals and the expectations of your people
2) **U** = Upgrade your employees through development
3) **P** = Provide feedback to your employees throughout the year
4) **E** = Evaluate your employees on their performance
5) **R** = Reward and Recognize your employees based on their performance

Whether it is setting yearly performance objectives, or creating a development plan, banks should use a formalized document or form to capture the agreements, comments, and feedback. 12 months is a long time, and unless you write stuff down in January it's likely you won't remember them in December. This newsletter continues to emphasize the importance of written plans. If something is not written down then it does not exist. A plan that is not written down is either a fantasy or a nightmare!

U = Upgrade your Employees Through Development

The first thing you need to realize about developing your people is that you need to include them in the process. Now this may seem obvious, but realize that all the previous steps of the Human Capital Plan were mainly undertaken by the bank's leadership team. This is the first step where you are actually translating the vision of the bank into a plan for one specific employee. So it makes sense that you include that employee in the creation of the development plan. Remember, commitment for a development plan is a two-way street, if either the employee or the manager is not committed to the plan, then it is doomed to fail.

The second thing you need to realize is that the employee's estimate of their own capabilities and future roles might be different than the bank's assessment of their capabilities and future potential. This discrepancy needs to be handled gently. Your goal in discussing their development is to guide the employee towards areas where they will succeed and bring long term value to your bank. It isn't to crush their spirit. On the other hand, you should never lie to an employee about their potential or capabilities. If they don't have the competencies and capabilities needed to be on the leadership team of your bank, don't give them the impression they do. We will expand on the need for honest feedback later in the article.

The final thing you need to keep in mind when creating a development plan for your employee is that it should balance the desires of the employee and the long term vision of the bank when possible. Forcing development on someone is a quick road to failure. I watched as manager after manager would try and develop their employees in areas where the employee wasn't really interested to develop. To the face of the manager, the employee would express commitment, but the resulting lack of development showed differently. As a manager, you need to make sure your employee actually sees the benefit of his/her development, and is willing to put in the extra effort that is needed.

To illustrate this issue more, I look back to one of my old business units. A lot of the sales managers I worked with wanted their people to develop project management skills, which would help improve the sales process for large orders. There was a clear monetary benefit to the company, and it was perfectly aligned with the company's long term vision. Unfortunately, most of the sales people preferred their old methods of selling, and had little interest in conducting "complicated" project management actions that in the end produced "little benefit". So it was of little surprise to me when 6 months down the line, none of the developmental actions were completed. The only people that believed the development was important were the managers. If you can't connect the development activities to your employee's desired goals, then it doesn't matter how critical it is for the bank, nothing will change.

Assessing the Employee Against the Vision

In order to build a development plan, you and your employee must assess their current capability level against the vision and required competencies of the bank. Here is where you build off of the work you did in stages 1, 2, and 3 of your Human Capital Plan. Start by sharing with your employee the strategy and vision of the bank. Hopefully, this information is not new to the employee, and re-sharing the vision will serve to frame the developmental discussion. You want to make sure you communicate the critical aspects of the vision that specifically impact this employee's role, and the easiest way to do this is by communicating the critical competencies, behaviors, and skills that are required for the vision. Your loan officer should know the desired way of treating a customer. Your finance team should know what level of risk taking is the right level. Your managers should know that developing their people is a critical aspect of being a manager. Whatever your bank's vision of long term success, your employees should understand how they contribute to it.

Before performing a competency assessment, I always start by having the employee perform a self evaluation on their competence level. I want them to come to their development meeting prepared to discuss their current competency levels, and ideas on how to improve. As a manager, one of the things you need to watch out for is the natural human tendency to overrate oneself. Here are some recent survey findings: 60% of all Americans believe that they are above average in beauty, 63% believe that they are above average in intelligence, and 69% of believe they are above average in driving ability. The same thing goes for your bank and assessing competency levels. It goes without saying that you will have employees that think they are performing better than they actually are, and think they are ready for the next promotion, but in reality they still have a ways to go.

The next step in the competency assessment is for you, the manager, to complete the evaluation. By having both the manager's and employee's ratings, you can see if there are any discrepancies across the raters, and more importantly gaps between the current level and the level needed by the bank's vision. But before you can begin working with the employee on addressing the gaps, you first need to give feedback on any discrepancies between their ratings and your ratings as the manager. And this is where you might have to tell your employee something they don't want to hear or agree with.

P = Provide Your Employees Developmental Feedback

Giving and receiving feedback is one of the critical aspects of being a manager and a key step in the development planning process. From the employee perspective all feedback is useful feedback. When it is positive feedback, the employee feels recognized for their efforts and is motivated along their developmental journey. When it is negative feedback combined with suggested actions for improvement, the employee can take action or decide on a new set of developmental goals. Imagine that you have a Loan Officer that believes he is ready to be the next Branch Manager, but you know he is missing some critical competencies. If you tell him that you don't see him as a Branch Manager, you risk him quitting. But by not telling him of his gaps, you are doing him a disservice. He will think he keeps getting passed over for promotion, not realizing why, and in the end will also quit. So negative feedback when combined with suggested improvement actions is beneficial to the employee, and allows them to take action to address potential issues.

When planning your developmental feedback discussion, the manager should do the following:

1) Be professional, calm, and focused on developmental issues and competencies.
2) Start by explaining the bank's vision, its critical competencies, and how it relates to their current job
3) Have the employee describe what they want to achieve through this development process. Keep in mind that development does not mean promotion; it also means doing your current job better.
4) Recap the employee's self evaluation of the competencies, and have them explain their ratings.
5) Go through each competency and discuss the key components. Include both the positive and negative components. Finally, assign a rating for that specific competency target.
6) Provide specific examples whenever possible, especially in any negative feedback.
7) Allow the employee to ask questions, disagree, and provide input throughout the process.
8) Together, identify potential developmental actions that will address some of the missing competencies or gaps.

The Best Types of Development: On the Job Learning

One of the biggest management myths is that a training course is the best source of development. Too often one of the managers I am coaching thinks that all his direct report's development issues will be solved if they can just attend the right training, conference, or college course. But this kind of mentality ignores the science of adult education. Adults do not learn in the classroom, they learn by doing and applying the concepts from the classroom. Send an employee to a project management course, and they may remember the concepts for a few months. Have an employee lead a project, and they will remember the concepts for a lifetime.

Management Researchers, Adult Education Experts, and Human Resource Leaders like to follow a simple ratio when selecting the development activities for an employee. The ratio is 70:20:10, and this needs to be burned into your brain when developing your employees.

70 = 70% of an employee's developmental efforts and activities need to be centered on applying and practicing the desired skills. If you are trying to build their managerial capabilities, make them a team leader. If you are trying to build their customer focus, send them on customer visits with your loan officers. Practice makes perfect, and if you don't give them an opportunity to practice, then they will never develop.

20 = 20% of an employee's development comes from receiving coaching. Think about it, when you are learning a new skill you want to talk with someone that has done it before. You want to get feedback, and bounce ideas off of an expert. As a manager, it is your responsibility to ensure that your employee receives the coaching and feedback needed.

10 = Finally, 10% of an employee's development comes from formal education. This can be a training course, a certificate program, an MBA, or just a book. Either way, the employee learns new concepts and theories which they can then apply and receive coaching on.

By utilizing the 70:20:10 ratio you can maximize the developmental growth of your employee, and make it more likely that your bank will achieve *Premier Performing* status.

Finalizing the Developmental Plan: Checklist
So how do you know if you have created an employee development plan that is aligned to your bank's long term goals, its vision, and its Human Capital Plan? Simple… Ask yourself the following questions.

1. Are the development objectives realistic based on your assessment of the employee's current capabilities, past performance, and future potential?
2. Do the development objectives address some of the critical competency gaps addressed in your bank's succession plan?
3. Do the development objectives fit the desired development goals of the employee?
4. Have you identified development activities that fit the 70:20:10 model?
5. Can the development activities be performed within the employee's current workload?
6. Will successful completion of these development activities improve the performance of the employee?

If you can answer yes to them, then you have aligned the development plan to your bank's vision.

Premier Performance Through Your Human Capital Plan

And that is it… That is how you create your bank's Human Capital Plan. You start with your financial vision, you translate that into employee competencies, you measure those competencies, and then you create a plan to address any competency gaps through recruitment or development. It is truly a simple concept, but it does take time and effort. And from our experience, few banks are actually spending the time necessary. More time is spent on the financial goals of the bank than figuring out how your people will achieve them. It is for this reason that we suggest that you allocate at least 1 day during your next strategic retreat / planning session to building your bank's Human Capital Plan. Only by building a Human Capital Plan can your bank achieve *Premier Performing* status.

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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