Is Your Human Capital ≥ Your Bank Capital?

By James Geeslin and Lindsay Green

Undoubtedly, a lot has changed in the banking industry in the past three-to-five years. In fact, the rate of change could potentially be considered the highest rate of change that the banking industry has seen so far. From delivery channel preferences and customers' wants and needs, to continual regulatory change and the ideal banking space...the banking industry is continuing to evolve on a daily basis.

Customer traffic in bank lobbies is continuing to decrease; however, customer touch points are increasing and improving. Since customer traffic is still shifting and customer preferences are constantly adapting to available technology, what are you doing on the personnel side to adapt to omnichannel? As delivery channels change, the type of employee and the connectivity to the customer needs to be revisited. It may take community banks more than just great customer service to be seen as competitive in today's banking environment.

Banks need to be hiring a new type of employee for open positions, and having banking experience may no longer be an asset for an applicant. It can actually work against applicants because they can be considered set in their traditional banking ways. Most banks hire to fill vacancies, instead of hiring or placing an employee to match the job tasks of the role required for a business need. Hiring just to fill an open position is not as important anymore. Banks can function with fewer employees who are more highly skilled generalists and are good negotiators, not just order-takers. The key is to hire skilled employees who can identify a solution for the customer and provide a product to fulfill the customer's need, no matter what channel a customer is choosing to bank through—in-branch, over the phone, on the bank's website, on a mobile device, via online chat or a combination.

If banks are hiring a new type of employee, then it is safe to assume that traditional recruiting practices will need to be enhanced. Since a bank can operate more efficiently and with an enhanced customer experience with fewer employees, then recruiting practices should be expanded to validate the candidate's true potential to be a highly skilled generalist. Banks need to devise a recruiting program that identifies high-level thinkers with flexibility and a willingness to learn. This will build depth in the talent pool when a turnover occurs. For instance, interviewing a candidate once may no longer be sufficient. In fact, banks may want to add a project – such as a presentation or a short case study – for the candidate to demonstrate his or her critical thinking skills. It is important that the project does not require banking knowledge, as the most-qualified candidates will typically not have a banking background.

Admittedly, fewer employees will result in more valuable employees. Conversely, a turnover will cause more pain than it did in the past. Banks need to do all that they can to minimize turnover, especially in retail banking, which is where most bank turnover occurs. What are you doing to ensure that your human capital is ≥ your bank capital? Banks can't just hire new employees and expect them to dive right into the position. Banks need to have a formalized training program with supervised internships, mentoring programs and career path conversations. The key to success is to measure mentoring and career advancement, with statistics to support the investment in human capital. If you choose to focus on increasing the value of your human capital, it is important

continued on page 26

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Is Your Human Capital ≥ Your Bank Capital?

continued from page 15

to develop engagement monitors to implement and "inspect what you expect" from your retention plan and strategy.

Undoubtedly, very highly capitalized banks reduce their business risk. It may be time to make a balanced investment in your human capital, just as you would to your working capital. Community banks need to do more with less, which means an investment in human capital is vital to survival and success in today's banking model. In order to be successful at increasing the value of a bank's human capital, it takes a unified, robust approach to hiring a new type of employee, enhancing recruiting practices, building career paths for employees and creating engagement monitors to track the bank's progress. ●

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Turnovers and Retirement: What's HR To Do?

continued from page 20

For internal employees, this could look like many things—management seminars, conferences, job-rotation experience and more. For employees who are entering into your organization in a leadership role, you must have a plan in place that goes beyond your typical onboarding and includes an in-depth look into the bank's culture and strategic goals.

Three Common Pitfalls to Avoid

The most common mistakes we see during succession and replacement planning include:

1. ***Not looking outside of the bank and market.*** *When looking for a replacement or successor, the board should be tracking executives in other banks and even other industries, as well as their bank. Many banks are under pressure to innovate, and that may mean dipping into other talent pools to find the right person.*
2. ***Not aligning planning with corporate strategy.*** *All talent-development strategies should be consistently aligned with the bank's objectives. Filling vacant positions with as little disruption and cost as possible requires an accurate understanding of what or who those positions demand and how the positions relate to current overall strategies and market.*
3. ***You keep the succession planning process a secret.*** *Your bank needs to understand how leadership and their direct reports pinpoint and rank potential successors. Transparency into succession planning activities helps to build employees' trust in the process while helping to engage and retain employees.*

The absence of thorough succession and replacement planning can derail a bank's strategy and overall success. Consider these tips, avoid the common pitfalls and continue planning for a successful tomorrow. ●

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