

BANK

WINNING THE BATTLE FOR TALENT IN BANKING

Current and Future Recruiting Strategies for
Community Banks



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BANKING ON THE RIGHT TALENT

CORE Recruiting Practices for Community Banks

► A Note from **JR Llewellyn**, SVP Compensation Advisors

It's a new world for banking; that means you need new talent.

The world of community banking (and banking in general) has changed. If you're still expecting a return to the way things were, my advice to you is to move on. It's a mobile world we live in, where phones allow us to check account balances between text messages and deposit checks from our couches. Customers, particularly the youth setting out to choose a bank for the first time, want the ease of banking apps for their smartphones and tablets and a sense of engagement and understanding from their banking partner.

In order to keep up with the new demands, community banks need to adapt, and that means bringing new skills to your employee mix. Many banks are unsure of the best ways to approach recruiting for these new skills, but the future success of community banking lies in attracting new talent and making sure that once brought on board, they are trained to be the next generation of banking executives. At the forefront of a good recruiting strategy is generating interest in your community bank and getting skilled applicants excited about what your bank offers. The job of recruiting is to tell your bank's story to potential new employees, including the Millennials who will be involved in moving the financial industry forward.

On the following pages, we'll dig into what new skills your bank needs and new ways to approach recruiting. I'll explain the CORE principles of bank recruiting--Compensation, Opportunity, Responsibility, and Excitement--and define what each means in this day and age. With this knowledge, your bank will acquire the talent necessary to excel.

JR Llewellyn
Senior Vice President
Compensation Advisors



Filling your staff with talent

To find the right talent, first identify what talent you need.

Industry trends that require new talents

The changes in the banking industry require new talent in order to keep up with demands. Otherwise, you'll find your community bank falling behind as your competitors advance. Let's recap some of today's challenges that your recruiting strategy must consider.

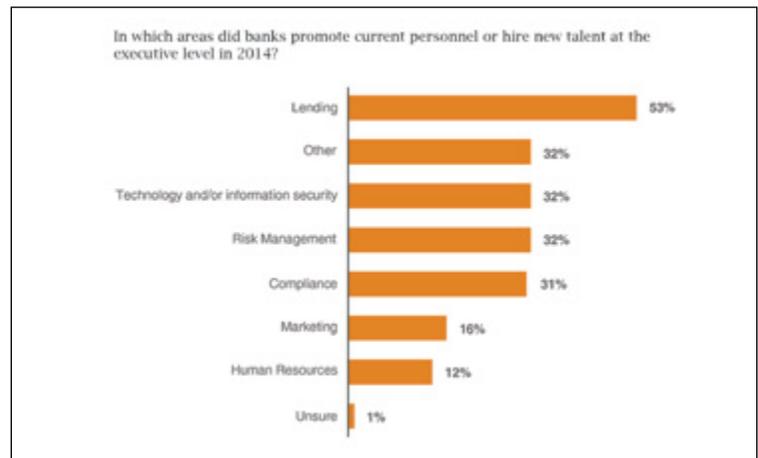
The services today's customers expect from banks

According to a survey conducted by AlixPartners, 65 percent of people who switched banks in 2014 said that mobile banking services were a part of that decision. According to a 2015 report by Chase, mobile application increased by 20 percent in 2014, mobile QuickDeposit by 25 percent, mobile QuickPay by 80 percent, and mobile bill pay by 30 percent. These numbers are only expected to continue increasing.

With the largest banks and credit unions gravitating toward mobile banking and developing diverse product lines, community banks need to fight back. Many community banks have yet to take engage with mobile technology. In order to offer mobile solutions, banks need personnel who can develop these solutions, support them, and teach personnel and customers how to use them. Mobile solutions need to be intuitive and easy to access.

Drumming up new revenue opportunities

Business owners now have many new options when it comes to loan sourcing. With multiple new loan sourcing opportunities for business owners



including companies like Staples and Sam's Club, crowdfunding, and online lending capital clubs, banks must explore new revenue sources to augment the shortfalls felt from these entities. Hiring in new talent and moving away from 'traditional banking models' can help re-energize a bank's profitability.

What are the key things you should be looking for in your staff?

You may need professionals you don't expect.

According to Bank Director's 2015 Compensation Survey, while 53% of banks surveyed hired lending executives, only 32% hired IT executives, and 16% hired marketing executives (Bank Director's 2015 Compensation Survey).

Addressing new challenges means hiring different types of personnel. Some areas you should be looking for at both the executive and managerial level include:

Marketing: Skilled marketers are capable of telling the story of a community bank just as they would for any business. Many customers don't fully understand the role of a community bank in their local economies. Marketers are in the position of educating the public about the benefits of community banking, which may

include a more personalized or flexible approach. Either way, marketers (and digital marketers especially) are necessary to attract new banking customers and revenue opportunities while competition is high and demand is low.

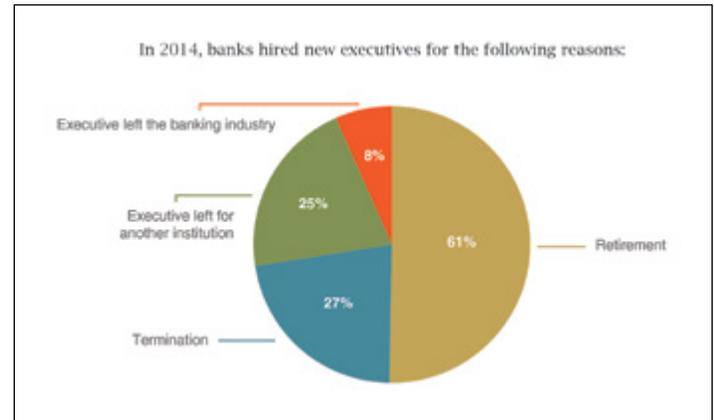
IT Staff: Information Technology (IT) is absolutely crucial for any business in the digital age. In the banking industry, the need for experienced IT personnel is even greater. In addition to meeting the demand for mobile solutions, addressing security concerns for financial data is critical, as is assuring technology efficiencies to address complex regulations. Whether outsourced or internal, understanding the technology revolution and how to leverage it is a critical component of achieving future success.

Only 18% of survey respondents reported that they had board-level committees for technology. Only 12% said technology was among the top 3 issues the board is spending the most time on (Bank Director's 2015 Compensation Survey).

Millennials: Community banks must open themselves to the idea of hiring Millennials (those born between the early 1980s and early 2000s and the largest generation since the Boomers). Banks must learn to accommodate the Millennials and allow them to bring new perspectives that banks need. With much of the industry no longer training the next generation of bankers, your institution has the opportunity to change this dynamic and be a leader amongst the Millennial population. Train them, mentor them, engage them, and allow them to influence your organization through the guidance and maturity of your current executives and directors.

Bridging the gap between old banking and new banking

In 2015, 61% of banking executives surveyed said they needed to hire new executives because of executives retiring (Bank Director's 2015 Compensation Survey).



We've established that community banks need different types of talent to stay at the forefront of the industry, yet some banking industry veterans are hesitant to embrace change and open to the idea of hiring newer and younger personnel. Often, they're hesitant to work with IT personnel, digital marketers, and Millennials in any field because the perception has been these personnel don't fit into the banking culture.

On the other side, many younger people are overlooking banking because they think it's "boring," don't understand the local impact of community banks, and haven't heard about the new opportunities for innovation in banking. It's the job of recruiters and marketers to convey what it means to have a job in banking today and convince Millennials to abandon their assumptions. Bankers shouldn't be afraid to work with unconventional, younger employees. For banks to thrive, it will be necessary to bring in new perspectives.

So, what are the CORE principles, and how can bank recruiters use them to attract the best talent?

How to apply CORE practices when attracting talent

Once you know what kind of talent you need for your organization, you need to attract those applicants and give them incentive to stay with your bank. By following CORE practices, you'll cover all the areas necessary to attract and retain talent. The four components of CORE are:

- **C**ompensation
- **O**ppportunity
- **R**esponsibility
- **E**xcitement

Each of these components is crucial, and they all overlap one another. If your bank offers employees the full package containing the CORE principles, you'll be on track to move toward a future of success. Let's break down each of the four areas and discuss how you can use them to capture the talent your organization needs.

Compensation

37% of survey respondents considered competitive pay to be one of their top 3 challenges when hiring executives (Bank Director's 2015 Compensation Survey).

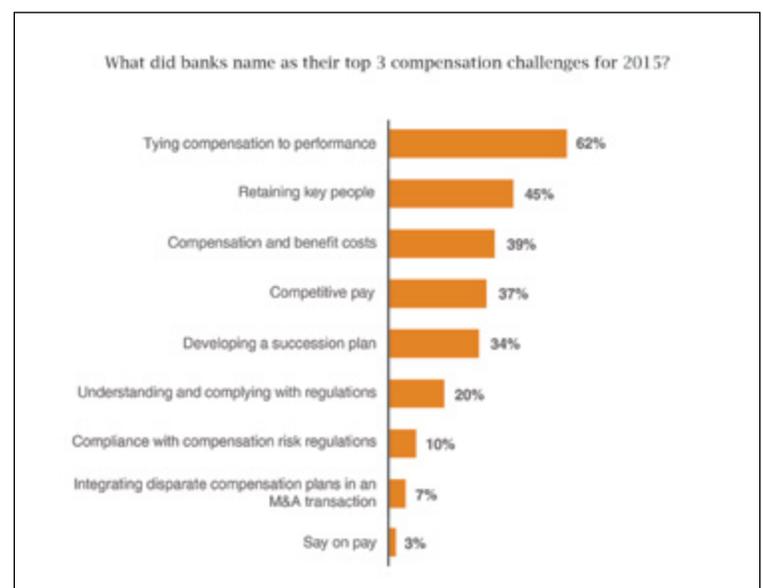
Compensation is the first part of CORE, but that doesn't mean it's the most important. It is, however, absolutely crucial, as are the rest of the components. Without offering a competitive

salary and attractive benefits, you'll have difficulty bringing top talent to your organization.

The major areas of compensation

Though the salary is a significant part of compensation, it is far from being the sole factor applicants consider. There are essentially five areas of compensation, and depending on whether you're searching for executives, managers, and other employees, a different mix of these compensation types may be relevant.

Salary, annual incentive, equity, benefits, and perks all help to balance a compensation portfolio. Banks should have a compensation philosophy that drives their approach to compensation so there can be consistency within an organization. For example, some institutions may target lower salaries compared to market, but they may also have higher incentive payouts that drive performance. Alternatively, some choose to offer above market salaries with the goal of capturing top talent within the industry. Some banks prefer to use equity, while others may focus on enhanced retirement benefits



through profit sharing. Each of these approaches may be equally valid, but companies must be consistent in how they approach compensation.

How to make your compensation competitive

1. Be Proactive: In many organizations, tenured employees are often left behind due to compensation adjustments, so make sure you address this risk. Benchmark annually or bi-annually to keep a pulse on market trends, and adjust compensation accordingly.

2. Ask the Question: What do you value most? If dollars are going to be spent, make sure you and the employee get the most value out of those dollars. Not everyone is at the same stage in life. Compensation packages should therefore be tailored based upon the needs and desires of your key employees (within reason).

Opportunity

34% of banking executives surveyed identified developing a succession plan as one of their top 3 challenges when hiring executives (Bank Director's 2015 Compensation Survey).

Opportunity, the second part of CORE, refers partly to the chance new employees have to move up in the organization, but it's not just about career advancement. It's also about professional or personal growth opportunities. For instance, a Head of Wealth Management may have reached the ceiling of their career at their current workplace, but your bank could support that individual to gain additional certifications, credentials, and market share. This provides employees with opportunities that satisfy some of

the intrinsic motivation felt by entrepreneurs. You need to be honest with hires about their opportunities; otherwise, retention may be difficult because employees will go elsewhere to gain career fulfillment. Offering career and development opportunities will attract high performers who want to achieve. This is key in creating the next generation of banking executives.

Retaining key people was the #2 challenge for survey respondents when hiring at the executive level (Bank Director's 2015 Compensation Survey).

Responsibility

Does your bank consider itself to be a responsible company? When discussing CORE practices, responsibility refers not to your responsibility to shareholders, but the responsibility your organization has to each employee. Employees want to feel that their career with you will provide stability and that your organization will support them and take care of their needs. Responsibility relates to compensation (specifically the Perks and Benefits area), but it's something you need to clearly convey during recruiting.

What kinds of perks and benefits show employees that you care about their well-being?

- Wellness programs
- Childcare programs
- Tuition reimbursement programs
- Profit sharing plans
- Financial literacy programs
- Flexible work time

Implementing these programs and educating your employees on ways to take advantage of the programs enhances recruitment and retention, and they're not necessarily costly. For instance, offering flexible work schedules, a point to leverage with the Millennials, simply means allowing employees to easily accommodate personal obligations. However, these types of perks show that you care and can establish brand loyalty to your institution from the employee base. The more your employees feel that you care, the more secure they feel in their jobs, so make sure your contribution comes across during recruiting.

Excitement

Beyond the salary and benefits themselves, why should applicants be excited to work at your bank? This is the most intangible part of CORE, but it's possibly the most important. Sure, you won't be able to attract top employees without attractive compensation, professional opportunities, and perks, but those are things that other employers can easily offer, especially the larger corporate entities. Excitement is what sets you apart and makes people feel like working with you is more than just a job. Everyone wants to feel like they're an integral part of something, and this is especially true of the Millennial generation.

Getting Millennials excited about banking

How can you attract people with unique skills if they don't realize there's a place for them in banking? As mentioned, community banks have a chance to interest Millennials who want to make a difference by showing what the bank does for its community.

When recruiting Millennials, you need to break down their assumption that banking is "boring." Because banking is a changing field and new employees can be a part of that change, there is reason for excitement. Recruiters need to capitalize on this point and help potential recruits understand that banking goes beyond simply lending money. The next generation banker is going to be a much more progressive role in helping their clients succeed by delivering new and exciting product lines and tools.

Looking toward a new future of banking

As banking heads in a new direction, it's necessary to allocate your time and resources properly in order to achieve enhanced retention and recruitment. The right talent may be found in places you don't expect. Community banks must put aside their assumptions and convince people who are new to banking to abandon their assumptions as well. By applying the CORE principles outlined in these pages, your bank can attract top talent and be successful in the ever-changing landscape.



Have questions about compensation?

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Our mission is to be a trusted advisor to the financial industry. We deliver superior education and services to ensure directors, executives, and shareholders have a thorough understanding of the most relevant compensation practices.

When you work with Compensation Advisors, we'll focus on developing your compensation plan so you can recruit, retain, and reward the right candidates.

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