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WHITE PAPER
HOW TO DEVELOP RETENTION STRATEGIES FOR LONG TERM

There are many factors impacting retention across all levels of positions in financial services. Our industry is facing unprecedented challenges as we recover from THE COVID. The threats to Employee Retention are:

- Ongoing Pandemic Concerns (illness, and death)
- Retirements
- Mergers & Acquisitions
- Salary Compression (internal pay disparity vs market compensation)
- Loss of Retail Brick & Mortar
- Credit Unions hiring Bankers
- Incentive Plan ADD (constantly changing plans and goals)
- Increase in Special Assets

This is not an all-inclusive list, there are many others to consider as you create an Employee Retention program. Each one of these areas should be addressed and how to deal with each if they happen at your bank. We will review some ideas on how these threats may impacts your bank and how to create an Employee Retention program to keep your best talent.

Pandemic-The COVID has created many challenges and will continue to impact everyone, everywhere. We had several key clients negatively impacted from the COVID creating an uncertain recovery and impact to their business. In each case it delayed the hiring of key positions the bank needed to execute their plans for the year. Cross training and utilizing a consistent process across business units help offset delays.

Retirements-Everyday 10,000 baby boomers turn 65. This is why coaching, mentoring, and recruiting the Next Generation of Bankers is so critical to our survival as an industry. On more than 70% of our searches there is not an heir apparent, or any plan to train someone to be promoted. How many companies say they like to hire from within? Nearly every company would tell you that is their policy, but very few have a plan to make it happen. It is disingenuous and disheartening to internal candidates to see people hired from the outside for key hires, and additions to the team. Communication with every team member, understanding what they are looking for, what each one needs in a development plan are all factors involved in creating a great retention program.

Mergers & Acquisitions-There are plenty of financial experts and bean counters predicting cost savings with every merger announcement. This topic carries a lot of personal baggage for so many Bankers as we have seen our banks dwindle. There were over 14,000 banks in 1986, today we are under 5,000.

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Salary Compression-Salary compression is created when internal employee's compensation does not appreciate at the same pace with candidates who make strategic career moves every 3-5 years. This effectively penalizes long term employees. The heavy utilization on outdated compensation data, and ill-informed market knowledge will leave you open to losing your best talent. This will also impact your ability to recruit the best of the best. When developing your salary strategy leverage a firm with deeper data cuts than what is publicly available in filings. This may be viewed as costly, not so much if you compare it to the cost of losing top talent. The loss of a VP level employees is estimated at 5 times their compensation. You do not have to be the base compensation leader, if you lead in other areas of compensation viewed as important by your employees. If you take money off the table for a reason for them to look, you are ahead of the retention game.

Loss of Retail Brick & Mortar-We could have covered this as a result of the COVID, but that would not be entirely accurate. The reality is we would have reached this point regardless of the economic and societal lockdowns forced on all of us. The banking industry has been moving toward a digital strategy, the COIVID only threw gas on the smoldering fire. Back in 2018, Wells announced they expected to close 800+ branches, now with COVID expect other banks to follow suit. We have many banks clients with limited hours and many of their offices still closed. Some experts predict a 30-40% reduction in branch offices coming in the next 18 months. If this comes true, we are looking at thousands of potential losses to our candidate pool. We need to leverage this talent pool. These are people already trained in customer service, culture and many other key skills needed to be a successful banker. This is where many of our banker's started their career.

Credit Unions-The credit unions have been very active in hiring bankers at key positions. As the stock and incentive programs declined the credit unions took that opportunity to create some deferred comp plans to offset the loss of stock programs to attract some of the best bankers. Some of these plans have handsome guaranteed cash payouts. The larger credit unions over $1 B in assets are now paying well above market compared to bank peers.

Incentive Plan ADD-This is the annual exercise to assess your incentive plan and make sudden course corrections that include changing payouts, goals or other parameters that make it more difficult to attain. This is one of the top reason's candidates reach out to us, they are simply tired of their plan being changed year over year to an even more unattainable number. Over the next two months many of these plans' payout cash and stock. This is also a time we see more people resign and join new banks. Creating a plan that needs little change year over year with a focus on performance and excellence will create happier people and easier to retain them.

The retention plan should be a written strategy and adopted at every level, and every business unit. Our tips for creating a great retention plan:

- Professional Development (42% of employees feel job satisfaction hinges on having opportunities)
- Clear cut Expectations & Policies (Mission Statement)
- Benefits that are "beneficial" to them not what we think

- Culture of Open Communication
- Employees feel valued (rewards)
- Work-life balance
- Meaningful work (engagement)
- Retention Interviews vs Exit Interviews

Some would argue this exercise and responsibility lives in Human Resources, we agree HR should be the driver of this process, it requires people from all areas of the bank, and all levels to create a successful plan embraced by all.

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