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Futureproofing Your Bank: Strategies to Retain Your Top C-Suite Talent



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Two C-suite executives poached in the same month, just one qualified applicant for a financial reporting role over a six-month search, a CFO lured away with astronomical compensation—there's no denying that the talent war tales from the front lines of the banking sector are grim. At a time when Americans are changing jobs in record numbers, banks are far from alone in dealing with unprecedented employee turnover. However, the industry's talent challenges emerged long before the advent of today's Great Resignation, agreed banking executives who gathered for a recent roundtable discussion on retaining talent sponsored by Chief Executive and Pearl Meyer.

In fact, the current environment is the culmination of more than a decade of massive change as banks responded to shrinking branch footprints and the threat of fintech disruption by ramping up efforts toward digital transformation. "As financial institutions evolve in this new landscape, the skills and attributes of team members we need to move us forward are different than what we've had in the past, and it is highly competitive to get folks with those specialized skills," said Greg Mitchell, CEO of First Tech Federal Credit Union. "We face challenges in picking up the talent we need, and we've become a bit of a factory for executives going to other institutions."

The workforce upheaval ushered in by the pandemic only exacerbated those difficulties. A propensity for reassessing career goals and work practices has been sweeping the nation, leading to turnover at all levels as employees reevaluate their commitments to employers along with their work-life priorities. Fierce competition for digitally savvy talent is making both retention and recruitment more challenging for banks, which were already struggling to match the allure and financial rewards on offer both within the financial services industry as well as by tech firms.

"Banks have all of those broader pressures and then, of course, the issues associated with whether people will be coming into offices or even working in the same state in which the company is incorporated," noted Dan Wetzel, a managing director at Pearl Meyer. "Against that backdrop, the question for a lot of banks right now is, how will we attract people, and

do we have sufficient stickiness associated with how we're developing talent that we'll be able to retain people, particularly those in the C-suite pipeline?"

It's a question that resonates with banking executives like Sally Hopkins, CEO of FNB Bank. "Sometimes we can't give people opportunities fast enough to keep them," she said. "They don't want to hang on as long as we need them to in order to get to the next level. We lost two members of our IT team last year to jobs where they could work at home five days a week making more money by working for a company out of state and never having to darken a business door."

Like many in the industry, FNB is taking steps to combat turnover, including taking a proactive approach to communicating its value as an employer. "Each year, we distribute a total compensation statement that shows salary, the bank's payment toward insurance benefits and its 401k match, which is something we do each pay period rather than at the end of the year," explained Hopkins. "We put every benefit we provide on there and people are always amazed by how big that number is." In an effort to retain entry-level employees from being lured away by higher-paying industries, the company also raised its base pay to $15 an hour, more than double its home state of Kentucky's minimum wage of $7.25.

Leveraging Loyalty

Competition from companies offering higher wages is also becoming an issue for CoastHills Credit Union. Demonstrating caring through its pandemic operating practices engendered loyalty from the $1.6 billion credit union's employees, but that may now be waning, reported Paul Cook, chair and CEO.

"Last year, we had 13 percent turnover, the lowest rate we've ever had, because of the conditions we created during the pandemic," he explained. "We hired a disease mitigation company that got us test results within 24 hours and helped us develop health policies for our in-branch staff. We created a branch stipend of $20 a day for anyone working in the branches, and continued following all the government rules and regulations long after they expired in terms of giving administrative time off and paying for leave when people were sick or had family members with Covid. Basically, we always erred on the side of the employee in any circumstance that arose and we've seen loyalty from those actions."

Those practices helped the company retain valued long-term employees for the past two years, but turnover has been ticking upward in 2022. Local companies competing for talent are offering higher starting wages, and the bank's in-branch stipend expired at the end of March. "This year is going to be more challenging as we continue to strive to retain the talent that we have," said Cook. "We were already at 13 percent turnover for the year [in April], so we're going to do what we need to do to be competitive and slow that down."

Some banks are adopting pay practices intended to reduce turnover, reported Wetzel. "A number of our clients have looked at turnover from the perspective of, 'Can we create some holding power over a period of time either through salary continuation, SERP programs, or equity programs that tie people in for a couple of years?'" he said. "For

publicly traded companies, you get the additional challenge of how to create retention with performance-based pay. Those are the issues we're starting to see."

Firstrust Bank has a five-year "superbonus" program that helps mitigate the turnover many companies experience after annual bonuses pay out," explained Tim Abell, president. "Every five years we issue a vision and, if we hit our goals in that vision, every employee gets a 40 percent one-time bonus based on their salary, in addition to whatever their normal incentive pay was for the year," he explained. "It works out great, although we do always have higher turnover after we pay it out."

First Tech Federal uses a phantom option program to reward executive leadership for attaining three-year performance goals. "Instead of equity in the credit union, they receive equity in a basket of companies so they feel that they have a level of compensation that's comparable to what they see in the market, with a little less concentration of risk as it relates to an individual company," explained Mitchell, who added that the company also strives to hire leaders motivated by more than money. "We're not really looking for financial mercenaries. If you're a financial mercenary, this isn't the place for you to work."

Pay and Purpose

The company also invested in building a culture of impact and purpose, by encouraging active involvement in local communities. First Tech Federal allows employees to devote up to 16 hours of paid time to volunteerism and engagement in their communities. "Our research shows that is far more valuable than compensation as a motivator of performance and retention," says Mitchell. "We also saw the power of that culture pay off big-time during the high turmoil [of the last few years] as people really leaned into service to the customers, the members, and to each other."

Despite those efforts, the company's turnover is running at about 22 percent, and First Tech Federal recently lost two potential leadership successors to other institutions. Still, Mitchell sees the company's efforts as an ongoing advantage in the current talent war. "We've done a good job from a compensation and purpose-driven mission perspective to keep folks here and committed for the long term," he said. "If they perform well and the organization performs well, they benefit… And they're seeing a great sense of purpose in what we do from a work perspective and what we do in the community perspective."

Both components can go a long way toward building engagement and forging stronger employer-employee bonds, noted Kathy Baron, a vice president at Pearl Meyer. "Seeing a career path and belief in the mission, belief that they're doing good—those are the things that will keep your senior people who could go somewhere else. That's what you have to sell as an employer."

Shruti Miyashiro, CEO of Orange County's Credit Union, also sees retention value in an "employer brand" founded in commitment to a purpose-driven mission. "A credit union is a people-centered business," she pointed out. "So, why we're doing the work and what's exciting about it—issues like underserved and underbanked communities and rising

income inequality—are of great concern to all of us, and especially the younger generations coming into the workplace."

Opening lines of communication can play a critical role in promoting that value proposition, added Baron, who cautioned leaders not to wait until an employee is heading out the door to solicit feedback. "Doing exit interviews is like driving by looking in the rearview mirror," she said. "They just tell you why people are leaving, they don't stop it from happening."

Instead, she recommended "stay interviews," informal 15-minute sessions that take the pulse of the workplace. "Talk to people about what energizes them every day, what do they love about their work? Understanding and focusing on those cultural, mission-driven pieces can be the key for keeping the C-suite and levels below from being plucked away."

Driving Development

An emphasis on development is another way banks can stand out from competitors in the talent arena. At First United Bank & Trust, recognition that the company's entire leadership team would be retiring within four to seven years led the company to identify and begin grooming successors. "I meet with my C-suite team once a week, and once a month we bring those four or five next-level people into those meetings to help bring them up the curve," said CEO Carissa Rodeheaver. "We also have an individual development plan for every person in the company aimed at ensuring that everybody is developing people throughout the company."

Rodeheaver also presents her C-suite direct reports and next-level down executive succession plan to the nominating/governance and compensation committee annually. "It's very clear what the path looks like should the bus get any one of us at any particular time," she said. "That's been very important to us."

Reassessing Remote

Despite these measures, First United Bank & Trust struggles to fill key positions, particularly now that residents of the rural area in which it operates are able to work remotely for companies located elsewhere. "That's causing a wage pressure for us and, unfortunately, empty seats," she said, adding that the company also had difficulty meeting employees' demands for flexible work arrangements. "We tried to introduce flexibility because people wanted to move but now we've got to deal with the tax implications of filing payroll reports in four or five different states where we have one or two people working."

In addition to the financial ramifications, there's also broad acknowledgement of the cultural hurdles that moving to a fully remote model may bring over the long term. "When folks are disconnected from their coworkers and from their culture, the level of loyalty is diminished," said Mitchell. "So we're working to minimize the level of remote work by going to hybrid rather than fully remote. I think organizations that become overexposed to the work-anywhere model will have challenges keeping the wheels on the bus, especially

when things get hard again."

Despite the challenges, employers generally see adapting to some degree of remote work model as an imperative in the current talent environment. "In a recent survey, 80 percent of our staff said they don't want to come back to work," reported Ash Patel, CEO of Commercial Bank of California. "We're interviewing for 15 open positions right now and the first questions we get are usually, 'What is your policy about working from home?' or 'Do you have flex hours?' And if the answer is, 'We require you to come in,' they don't even want to apply. So we've completely changed our philosophy on working from home and flex hours."

That trend will, in turn, make finding ways to forge strong connections with employees and to underscore the company's value proposition for employees all the more important. "You want to create a culture where when a call comes in from a headhunter, your employee says, "No, I'm not interested,' instead of, 'I'd like to hear more,'" said Baron. "Accomplishing that is about all of these things combined. It's communication; it's recognition; it's compensation; it's career development, but most importantly, it's about creating a culture that is collaborative and transparent. If you do that, that's what will retain your people."

About the Author

Dan brings 30+ years in compensation and benefits, advising on executive/director and broad-based pay, incentive design, CIC/contracts, and transaction support.

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