

Talent Management in the Financial Services Industry:

Best Practices for Making the
Most of a Sluggish Economy



Growing candidate pool calls for a reliable process to identify, select, develop and retain talent

Are we in a recession? There continues to be a great deal of debate around the topic, especially among economic experts. Although The National Bureau of Economic Research (NBER) has not officially declared that we are in a recession, a recent CNN poll found that nearly four out of five Americans – or 80 percent of us – believe that we are. And unfortunately it's a vicious cycle: when consumers believe we are in a recession, belts tighten and spending decreases. When consumer spending decreases, industrial production decreases, jobs are lost, income decreases and overall economic activity declines.

Sheila C. Bair, chairman of the Federal Deposit Insurance Corporation, recently shared data from the FDIC's *Quarterly Banking Profile*, a comprehensive summary of financial results for all FDIC-insured institutions for the fourth quarter of 2007. Ms. Bair noted that although the financial services industry faced significant challenges in 2007, it entered this difficult environment well-capitalized following years of record earnings. She cited a long and sustained favorable operating environment that has only recently declined.



"It would be safe to characterize the operating environment of the banking industry during the coming year as one of significant challenge."

– Sheila Bair, FDIC Chairman

In the face of an historic housing market downturn and ongoing credit market disruptions, the financial services sector is experiencing what many are calling an era of unprecedented change. The bad news: consensus forecasts call for the economy to grow by less than two percent in 2008. The good news: for those financial institutions able to successfully weather the storm, significant opportunities await once it passes.

The People Effects

As the housing slump and the slowing economy have forced consolidation and layoffs, an enormous pool of top talent is now available for financial institutions. There is an equally enormous pool of sub-par candidates masking themselves as top talent. The challenge is to distinguish between the two.

The financial services industry lost 150,000 jobs last year. Thousands of mortgage lenders have found themselves out of work and struggling to make ends meet. Many commercial bankers are seeing clients with whom they've worked for decades go out of business and lose everything. Some institutions have been forced to release valued employees due to abrupt budget cuts, in some cases hastily determining who to eliminate. In addition to losing top performers, they've added those individuals to a growing pool of available talent from which their competitors can source candidates.

While many financial institutions are adopting a 'wait-and-see' attitude with an aim to quietly ride out the storm, there is much that can be done during this time. Building, developing and retaining an 'all star' team will position organizations to capitalize on opportunities that will undoubtedly exist when the economy begins to recover.

Long before the current economic crisis, small to mid-sized financial institutions have been desperately seeking more effective and more efficient methods for selecting, measuring and developing their employees. Unfortunately, most institutions either don't have, or are hesitant to deploy, the necessary resources to develop an in-house solution.

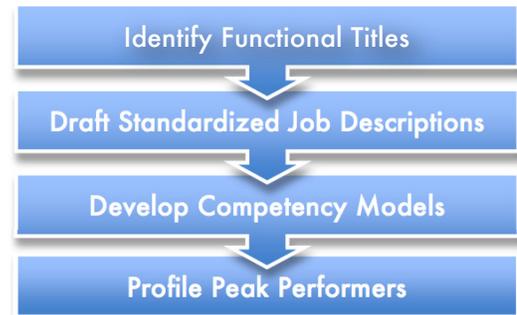
A comprehensive, carefully structured talent management program can provide better visibility into top, mid-level, and low-performing employees, enabling a financial institution to manage them accordingly. In addition, companies can more effectively source high-quality candidates, develop and retain the top talent they already have, and build more reliable succession plans. And, as the most successful organizations know, having the best people isn't simply an ideal; it is a competitive necessity and one of few true differentiators.

So how do financial institutions accomplish this?

TalentQuest for Financial Services integrates standardized job descriptions, competency models and Peak Performer Profiles into a talent management system designed to guide financial institutions through each stage of the employee lifecycle.

Is your talent management strategy positioning you for long-term success?

- Do you have standard, clear and succinct job descriptions for recruiting, selecting, managing and developing talent?
- Are you retaining your top performers?
- Do you measure employees against job-specific performance criteria?
- Are your performance management activities aligned with your over-arching organizational objectives?
- Are you selecting employees with the specific skills and aptitude for success?
- Are your employees being developed to their fullest potential?
- Is your performance management process automated and efficient?



Identifying Functional Titles and Drafting Standardized Job Descriptions

Financial institutions are notoriously title-heavy. Combining the multitude of functional titles that exist with the widely varying levels of seniority, it's conceivable that virtually every employee could have a unique title. Of course, from a human resources management perspective, this creates an abundance of problems, the least of which might be the ability to create standardized job descriptions.

Most Commonly Found Positions in Financial Institutions		
Finance & Operations	Lending	Retail
CEO, CFO and COO	Chief Credit Officer	Head Marketing Officer
Compliance Officer	Sr. Lending Officer	Head of Retail Banking
Controller Auditor	Sr. Mortgage Lending Officer	Business Development Officer
Head Auditing Officer	Commercial Lending Officer	Branch Manager
Proof Manager	Consumer Loan Officer	Customer Service Manager
Accountant	Loan Processor (except mortgages)	Customer Service Representative
Accounting Clerk	Loan Review Officer	Management Trainee
Accounting Supervisor	Mortgage Lending Officer	Training Coordinator
Image Processor	Mortgage Loan Processor	Manager
Proof Operator	Loan Ops. Manager	Head Teller, Teller
Cashier	Credit Analyst	Personal Banker
HR Assistant		Broker
Head HR Officer		Trust Account Administrator
Security Officer		
IT Director, Manager and Analyst		

Dissecting the countless titles that exist in financial institutions, a finite group of functional titles emerges for the most commonly found positions¹ (see chart on this page).

Standardized job descriptions include a position overview, responsibilities, accountabilities, and developmental resources and recommendations for each.

Job descriptions create the foundation for effective recruitment, selection and performance management, as well as development and succession planning. For many financial institutions, especially newer organizations and those that have grown quickly, tangible job descriptions either do not formally exist or are grossly lacking in detail and metrics.

Standardized job descriptions enable financial institutions to:

1. Provide tangible guidelines for hiring managers;
2. Establish expectations for accountability and responsibilities for performance reviews; and
3. Educate employees with regard to the responsibilities of other positions in consideration of advancement opportunities and career-path planning.

¹ Although all TalentQuest for Financial Services modules are available as “off-the-shelf” solutions, each may also be customized to address a financial institution’s unique culture and needs.

Job Descriptions	
Position	Key Job Responsibilities
Chief Credit Officer	<ul style="list-style-type: none"> ➤ Manages the institution’s credit function. ➤ Oversees the loan portfolio to maintain quality control and minimize losses. ➤ Develops and works with top management to implement, loan and credit risk policies.
Credit Analyst	<ul style="list-style-type: none"> ➤ Evaluates the financial condition and risk associated with businesses and individuals applying for credit. ➤ Prepares reports and opinions regarding the risk associated with making the loans.
Mortgage Lending Officer	<ul style="list-style-type: none"> ➤ Works with prospective clients to obtain lending business. ➤ Educates prospective clients about underwriting guidelines and all applicable government regulations.
Teller	<ul style="list-style-type: none"> ➤ Processes checks and cash, following specified procedures. ➤ Promotes and informs customers of products and services.
<p>A snapshot of representative elements of selected TalentQuest for Financial Services’ job descriptions, which were developed in conjunction with industry experts for 45 of the most commonly found positions in financial institutions.</p>	

Developing Competency Models

Competencies are loosely defined as the skills, knowledge, behaviors and abilities necessary for people in key roles to succeed. They may include skills, knowledge, personal attributes and values. Within the financial services industry, competencies range from “Effectively handles and organizes large amounts of information” to “Quickly and practically solves customer problems.” Competency models are essentially an aggregation of competencies specific to a particular role, job, organization, etc.

Competency Models

Organizational (ABC Institution)
 Level (Senior Vice President)
 Job Family (Commercial Lending)
 Position (SVP of Commercial Lending at ABC Institution)

Competency models represent the intersection of business strategy, organizational culture and performance requirements, building upon the foundation laid with standardized job descriptions to support the filtering, development and retention of top talent.

10 Steps to Successful Competency Models:

1. Identify a taskforce comprised of organizational and subject matter experts to lead the initiative.
2. Identify key business goals and challenges.
3. Ensure organizational buy-in, from the top down.

4. Gather, analyze, filter and sort meaningful data from existing peak performers.
5. Define the model in terms that are meaningful and relevant to a specific industry, an organization and its culture.
6. Ensure the competency model is aligned with the key business goals and challenges identified in step two.
7. Educate the workforce about the importance and the impact of the competency process.
8. Deploy the model quickly and efficiently, with minimal disruption.
9. Ensure the competency models are consistently applied in talent selection and performance management processes.
10. Evaluate competency models periodically and modify as needed to reflect changes in market conditions, organizational goals, etc.

Profiling Peak Performers	
Position	Key Competencies
Chief Credit Officer	<ul style="list-style-type: none"> ➤ Displays sound financial understanding of the business. ➤ Provides input and guidance regarding products, investments and major loan decisions.
Credit Analyst	<ul style="list-style-type: none"> ➤ Effectively handles and organizes large amounts of information. ➤ Works to understand each customer's unique financial situation. ➤ Displays knowledge of credit policies and standards.
Mortgage Lending Officer	<ul style="list-style-type: none"> ➤ Answers customer questions and fully addresses their concerns. ➤ Effectively builds rapport and relationships. ➤ Displays knowledge of the company's products and services.
Teller	<ul style="list-style-type: none"> ➤ Answers customer questions and fully addresses their concerns. ➤ Quickly and practically solves customer problems. ➤ Maintains a neat and professional appearance.
<p>A snapshot of representative elements of selected competency models, which were developed in conjunction with industry experts for 45 of the most commonly found positions in financial institutions.</p>	

Peak Performer Profiles are benchmarks, or standardized, unified performance expectations based on the personality traits and inherent characteristics of the most highly effective performers in each position. They allow organizations to objectively evaluate and compare candidates. The Profiles helps ensure smart hiring decisions are made, which, in turn, significantly reduces turnover and its associated costs.

Consistent application of these objective evaluations helps to ensure that the best candidates with the highest likelihood of success are selected, which ultimately positively impacts departmental and organizational productivity.

Conclusion

There is no question that the financial services industry as a whole is likely to evolve dramatically in the coming years. However, the fundamentals will not. Financial institutions are, and will continue to be, a cornerstone of the American economy. That being said, not every institution will achieve extraordinary success. In a world where virtually any strategy can be duplicated, a key differentiator over which you have control is the quality and caliber of your people and the ability of your team to effectively work together.

Take the time now to get your house in order and to ensure you are equipped with the tools, knowledge and resources needed to capitalize on opportunities created by the certain, eventual economic recovery.

Position	Personality Traits of Effective Performers
Chief Credit Officer	<ul style="list-style-type: none"> ➤ Bright ➤ Assertive ➤ Self-confident ➤ Conservative
Credit Analyst	<ul style="list-style-type: none"> ➤ Bright ➤ Even-keeled ➤ Conscientious ➤ Detail-oriented
Mortgage Lending Officer	<ul style="list-style-type: none"> ➤ People-oriented ➤ Gregarious ➤ Fearless
Teller	<ul style="list-style-type: none"> ➤ People-oriented ➤ Conscientious ➤ Prefers routine work environments ➤ Detail-oriented
<p>A snapshot of representative elements of selected Peak Performer Profiles, which were developed in conjunction with industry experts for 45 of the most commonly found positions in financial institutions.</p>	

Application in Action

When a long-time, \$1.8 billion client institution with nearly 400 employees was acquired, TalentQuest was tapped to accelerate and optimize the acquiring party's integration and cultural transformation processes.

From assessing leadership talent to blending cultural dynamics, all activities were administered based on industry-specific data and best practices.

The effort established a foundation for retaining Peak Performers, sourcing and selecting new talent and for ensuring individuals are objectively and consistently assessed, effectively managed and appropriately developed.

It ultimately gave the combined entity much better visibility into their top, middle and low performers, providing assurance of long-term success.

Company Overview

TalentQuest has been strengthening organizational performance and advancing leadership for more than 35 years by blending the art of consulting with the science of technology. Our consultants and organizational psychologists deliver fully integrated Human Capital Management consulting and Talent Management solutions that span the entire employee lifecycle – from talent selection to leadership succession – enabling organizations to maximize the value of their investment in people.

TalentQuest for Financial Services addresses the unique talent management needs of companies in the financial service sector. Working with industry experts for 45 of the most commonly found positions in financial institutions, the company has created Job Descriptions, Peak Performer Profiles, and Competency Models specific to the industry.

TalentQuest is based in Atlanta and has offices in Seattle and New York. To learn more, please visit www.TalentQuest.com.