

## A Renewed Focus on the Employee

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As the financial services industry has struggled over the past 24 months most employees have experienced great challenges. Many workers lost their jobs or perhaps were transferred to work in an entirely different area. Some employees kept their jobs but experienced a persistent lack of job security. Additionally, nearly every employee has been forced to deal with complex new regulations and generally being asked to do “more with less.”

There is an ongoing public image that somehow financial services employees are the root of the problem. FDIC Chairman Sheila Barr recently commented, “The lack of a downside for many bank employees did weigh into this crisis heavily.”<sup>1</sup> While most anyone would support appropriate pay practices, it seems unfair to blame the vast majority of bank employees who had nothing to do with the current financial crisis.

Successful banks and other financial services companies generally realize the employee is their most valuable asset. Despite persistent efforts to automate and streamline processes there remains a critical need for human effort in various areas throughout the banking industry. As we look forward, there is a critical need for a renewed focus on the employee.

In light of this need for an employee focus, several key questions begin to come to mind. How can firms maximize success while also optimizing the employee contributions and overall job satisfaction? How can firms use the quality and abilities of their employees as a differentiation from the competition? If the success for all organizations is heavily dependent upon the employees, why are they often not a priority?

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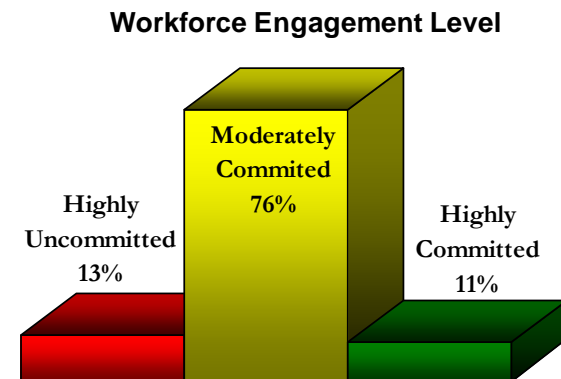
<sup>1</sup> “Split FDIC eyes proposal to tie bank fees to employee pay,” [www.marketwatch.com](http://www.marketwatch.com), 12 January 2010.

It is important to consider the implications of employee needs and satisfaction levels as well as the opportunities for improvement in employee contributions. The four key employee areas to be discussed in this paper are:

- Engagement
- Productivity
- Coaching
- Recruiting & Retention

### Employee Engagement

A Corporate Executive Board study defined employee engagement as: “... the extent to which employees commit to something or someone in their organization, how hard they work and how long they stay as a result of that commitment.” This study found that 11% of employees were highly committed, 13% were highly uncommitted, and 76% had a moderate commitment level.<sup>2</sup>



Source: Corporate Executive Board

Given that 89% of the employees are either not committed or only moderately committed there is significant opportunity for most organizations to improve the level of employee engagement.

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<sup>2</sup> “Employee Engagement Study,” Corporate Leadership Council, Corporate Executive Board, 2005.

There are two components of engagement: commitment and discretionary effort. The commitment effort refers to how an employee feels about the organization. This may include their propensity to refer family and friends, job satisfaction, and intentions on leaving the company.

The discretionary effort is the employee's willingness to go above and beyond the basic job requirements. These employees demonstrate a clear view of the company objectives and understand the role they play in achieving company success. With many organizations doing "more with less," it is crucial for banks to increase the discretionary effort of all team members.<sup>3</sup>

The direct manager has the most powerful impact on engagement. Below are some suggestions on how to increase employee engagement:

- **Clear Expectations.** It is essential for managers to provide clear expectations for employees. With a changing work environment, role clarity is crucial.
- **Focus on Employee Strengths.** Managers can identify each employee's strengths so that workers can find opportunities to do what they do best. Leadership can assist employees by removing any barriers that prevent the desired performance levels.
- **Connection to the Company Mission.** Leadership can engage employees by communicating the linkages between individual goals, department or business unit goals, and corporate goals. Employees can be reminded that their contributions help support the mission of the company and contribute to the future of the firm, which helps employees focus on making the organization better.
- **Training Opportunities.** With reduced budgets non-required training and education are often eliminated. Managers

can continue to make training a priority by finding no cost or low cost ways to help employees learn and grow.

- **Recognition and Praise.** Most employees crave appreciation for doing good work. This is a way managers can increase engagement without spending dollars. Managers can consistently recognize and praise employees for hard work and quality productivity. While financial rewards are also important, the majority of employees need recurring positive reinforcement from management.

Investing in increasing employee engagement has a solid return on investment. It can be a competitive advantage for banks to properly engage "frontline" employees. According to the Bank Administration Institute (BAI), "branches with highly engaged employees have 20% higher productivity, 12% less customer attrition, and 24% less turnover." The most important contributors to success in these areas were listed as training and career development, job design, manager and co-worker relations, and senior leadership.<sup>4</sup>

Employee engagement is critical for any organization but it does not stand alone. Recent research confirms that many organizations with high levels of employee engagement continue to have performance challenges. It is important for management to engage and motivate employees and also help them be productive and effective.<sup>5</sup>

## Employee Productivity

Most organizations have a large number of employees who are highly engaged but do not have the tools required to be fully productive. This could include technology, processes, or policies that inhibit optimal performance levels. As a result, frustration is a common problem for both organizations and employees.

Many employees are being asked to do more with less and as a result they want to work in smart and

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<sup>3</sup> "Employee Engagement in Tough Times, Part One," Mark Royal, Rebecca Masson, [www.workforce.com](http://www.workforce.com), Workforce Management. May 2009.

<sup>4</sup> "Engaging Part-Time Employees," Bruce Fisher, [www.bai.org](http://www.bai.org), Retail Delivery Insights. 31 December 2008.

<sup>5</sup> "Employee Engagement in Tough Times, Part One," Mark Royal, Rebecca Masson, [www.workforce.com](http://www.workforce.com), Workforce Management. May 2009.

efficient ways. Failure to directly address this serious situation can result in employees who disengage or leave.<sup>6</sup>

Productive employees are able to focus on their job deliverables without distractions from unnecessary restrictions or nonessential tasks. Ideally employees are placed in a position matched to their skills and abilities with the essential tools such as technology, information, and support to appropriately perform.

To increase employee productivity, banks would be wise to evaluate their processes, policies, and technology across each group of employees. According to the United States Department of Labor 64.5% of bank employees are administrative support positions which include tellers, customer service representatives and operations staff. Management and sales positions, including branch managers, loan officers, and other sales agents are the next largest group (25.2%).<sup>7</sup> Focusing on these two areas will provide the optimal productivity lift.

Often banks will conduct an internal analysis of the critical success factors for each employee. Generally this grid defines the weekly or monthly tasks, frequency, and duration for each employee. By analyzing this data, managers can often determine unnecessary tasks that can be eliminated. This may also reveal employees taking too much time to complete certain tasks leading to a training opportunity.

To evaluate the processes, policies, and technology it is also important to conduct a detailed analysis of the current state as well as how that compares to industry best practice. Often banks will partner with a trusted third-party advisor or consulting firm to obtain assistance in this area. In addition to providing industry subject-matter expertise these firms can also provide an independent and objective viewpoint.

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<sup>6</sup> “Employee Engagement in Tough Times, Part One,” Mark Royal, Rebecca Masson, [www.workforce.com](http://www.workforce.com), Workforce Management, May 2009.

<sup>7</sup> “Career Guide to Industries 2010-11 Edition,” United States Department of Labor, Bureau of Labor Statistics, [www.bls.gov](http://www.bls.gov), 29 January 2010.

To monitor and improve employee productivity, banks must set reasonable goals and provide ongoing tracking and measurement. This will increase awareness and also provide opportunity for refinement as needed. Some specific focus areas for employee productivity include:

### Policies

Policies are often made but rarely repealed. Some are intended to drive short-term behavior modification. In other situations one bad experience can result in a new policy that negatively impacts all future productivity. It is important to routinely validate policies and compare them with industry best practice.

### Processes

Processes can be manual or automated and are often the results of initial training and gradual refinement over time. Some employees actually undermine productivity through various efforts such as printing out documents that can be viewed online, re-keying information into multiple systems, and creating workflow interruptions.

Some firms conduct process review sessions to carefully document existing workflows for each task or function. While this is valuable from a business continuity perspective it can also provide an avenue to question “why” certain processes are in place. As part of the review, the organization can confirm what is working in the current environment and validate proposed modifications.

### Technology

Existing technology can often assist in productivity gains with little or no investment. Some organizations may not effectively use the technology they already have in place or may be able to add-on functionality at a nominal fee to dramatically increase productivity. Industry user groups are a good avenue for gaining insights from others and can also allow input on future vendor development efforts.

When a new technology opportunity is identified that may provide dramatic employee productivity increases it is important to implement a structured process for determining the detailed business

requirements, identifying the appropriate weighting of each requirement, selection of possible vendor partners, and managing a request for proposal (RFP) or request for information (RFI) process. Frequently a third party is used to assist in documenting the business requirements and assist during the vendor evaluation process.

### Staffing Models

Another industry best practice is for organizations to develop staffing capacity models. These can be fairly simple for each department or synchronized bank-wide detailed forecasts. The basic premise is to predict the number of employees required for transactional related functions particularly in branches and back-office operations.

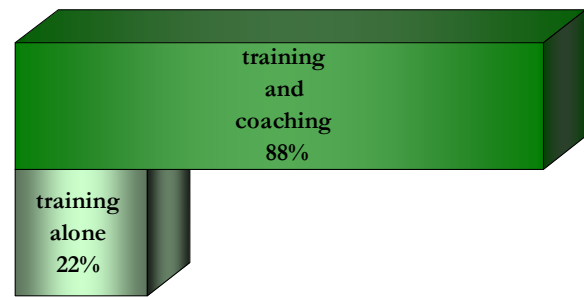
Staffing models are important as firms plan for significant growth, direct marketing campaigns, mergers and acquisitions, or other initiatives that may impact work volumes. Managers equipped with properly designed staff capacity models can accurately forecast future staffing needs. This allows recruiting and hiring to happen in advance of the actual need for certain positions which provides time for appropriate training and employee orientation.

## **Employee and Executive Coaching**

Some may view coaching as a term only for helping problem employees. However coaching is so much more. Employee and executive coaching helps maximize leadership effectiveness and potential as well as changing workplace behavior. While virtually all managers think coaching should be available to every employee, few make it a dedicated ongoing practice.

The benefits of coaching are clear. Coaching can increase the quality of leadership skills, improve retention, and help new leaders succeed. A Manchester Group study estimated a greater than 5:1 return-on-investment ratio for coaching. A widely acclaimed industry study by Public Personnel Management compared ‘training alone’ to ‘training combined with coaching.’ The results were that ‘training alone’ increased productivity by 22 percent, while ‘training and coaching together’ increased productivity by 88 percent.

## **Performance Impact of Coaching**



Source: American Society for Training & Development

Coaching can consist of an integrated management component, dedicated internal coaching staff, or external coaching professionals. Coaches generally ask probing questions and work with the employees on setting goals. Other coaching tasks include helping employees understand accountability, creating appropriate execution plans, and focusing upon continuous improvement plans as appropriate.<sup>8</sup>

While coaching is important throughout the organization, many firms have elected to invest in executive coaching even during difficult financial times. By increasing the effectiveness of their executives, the companies are able to improve probability for meeting their objectives. An international study among leading employers identified that executive coaching is generally used to accomplish the following key tasks:

- Support the introduction of a senior person into a more senior role.
- Accelerate the development of those identified as “high potential.”
- Provide support for effective implementation of organization change.
- Serve as an independent sounding board to a senior individual.
- Support senior executives in effectiveness improvement such as 360-degree appraisals.<sup>9</sup>

<sup>8</sup> “Executive Coaching Builds Steam in Organizations,” American Society for Training & Development, [www.astd.org](http://www.astd.org), 29 January 2010.

<sup>9</sup> “Executive Coaching: Inspiring Performance at Work, IES Research Club, Report 379, 2001.

## Employee Recruiting and Retention

Recruiting and retaining great employees is essential for business success. Highly engaged and productive staff members are critical elements for a successful organization – so how do you select and retain these individuals?

The first objective must be to increase the quality of the staff. That begins with improving the quality of each new hire, identifying and retaining top performing employees, and developing high potential employees.

The cost of a mistake in the hiring process is significantly higher than simply the employee's compensation and can include lost productivity, potential severance, and the cost of restarting the recruiting and hiring process.

Some best-in-class strategies that can assist in employee recruitment and retention are provided below:

### In-house Talent

A strategy that benefits both recruiting and retention is to look for talent within your own organization. Often companies overlook their own employees. Deliberately hiring qualified internal candidates sends a positive message to employees regarding future promotion opportunities. Additionally, internal hires may need far less training for the role and are already “in tune” with the corporate mission and culture.

### Job Redesign

When financial services firms experience difficulty in recruiting for a specific position there may be value in redesigning the role. This could include modifying one full-time position to two part-time positions or deliberately hiring a less qualified individual who has future potential. These changes may help to increase the candidate pool and could have cost advantages to the company.

### Tap Hidden Talent

Often companies find hidden talent by looking beyond the traditional recruiting methods. Consider reaching out to prior employees for

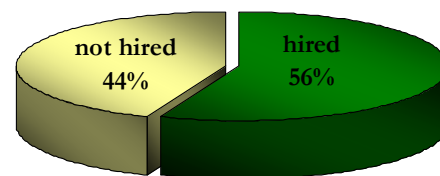
networking and possible job candidates. Retired employees often are willing to return as contractors allowing them to “double-dip.” This can be a great strategy for the company to obtain the necessary experience and expertise to get the job done.

Many collection call centers have found that college students make great collectors and are willing to work “prime time” evening and weekend hours. Another option is to hire a recruitment research firm to identify potential candidates in specific target companies.

### Technology

A recent National Online Recruitment Audience Survey (NORAS) found that 56% of those that interviewed for a job they found online successfully got the job.<sup>10</sup>

**Interviewed for a Job Found Online**



Source: Online Recruitment

Many firms have adopted technology as part of the recruiting process. A starting point is posting positions on your own company website. To maximize the number of applicants make these positions easy to find and the process to apply simple.

Job boards are another great avenue for sharing open positions and can include sites such as hotjobs.com, monster.com, indeed.com, bankjobs.com, and sixfigurejobs.com. It can also be valuable to post jobs on professional networking sites such as linkedin.com.

### Employee Referral Programs

Referrals can also assist in driving more applicants. One powerful recruiting tool is to ask for help from current employees who are well-positioned to help identify potential applicants. It

<sup>10</sup> “Survey of 37,000 reveals success at finding a job online,” Online Recruitment, [www.onrec.com](http://www.onrec.com), 29 January 2007.

is important to promote the employee referral program with various communications such as e-mail, intranet, interoffice mail, and pay stuffers.

A best practice is to provide these employees with a financial incentive if the applicant is hired. The increased expense of these referral programs is offset by shorter recruiting times, lower traditional job advertising expenses, and the increased productivity of filling positions more quickly. Another benefit is that employees who refer their friends and family to the company are more likely to increase their level of engagement which can assist with retention of existing employees.

### Interviews

Once you have reviewed the applicants, it is time for the interview. Most banks begin with a phone interview and then progress to one or more face-to-face interviews. While some of the interview is about determining experience and cultural fit, a great interview does not equal a great employee.

Some interview tactics that have proven helpful are to leverage behavior based interviewing techniques. The best predictor of how the employee will perform is to find out how they performed in the past in similar situations. This can help avoid many hiring mistakes.<sup>11</sup>

It is also a great idea to include other managers or employees in the interview process. This allows the employee to have input into the hiring process, gives the ability for them to help “sell” the company which increases their engagement level, and can leverage different interview and personality styles. After the interviews are completed a debriefing session will allow the various interviewers to share observations, thoughts, and concerns.

### Appropriate Compensation

Appropriate compensation remains an elusive component of both recruiting and retention for financial services institutions.

Equitable compensation is required to attract new employees and should be based upon competitive pay analysis within the markets served. Significant internal friction can occur when pay is not appropriately aligned.

Many banks have seen existing employees leave the firm when new associates are hired at a higher rate. As such, an alignment between recruiting and retention is critical. This is often an issue for long-term bank employees who as a result of internal promotions and modest merit increases can have salaries that fall behind market demand for new hires in those same positions.

Many firms also use variable or incentive compensation particularly for sales or service positions. When incentive pay is used it is important to make sure that the plan is driving the desired employee behavior. Ideally the incentive payout calculation should be easy-to-understand

Appropriate compensation can also include non-pay factors such as vacation or paid-time-off (PTO), health and medical benefits, retirement accounts, and other benefits. While cash remains an important aspect for most employees, these non-pay aspects should be evaluated regularly to maintain a competitive offering.

### Appreciating Diversity

Diversity refers to inherit differences among employees typically related to race, gender, age, disabilities, and religion. While historically there have been challenges and obstacles for some groups, the current bias is to value diversity. Employers can take proactive measures around inclusion and diversity. This impacts recruiting practices as well as increases retention efforts. Companies that understand and appreciate diversity will have an advantage.

### Underperforming Staff

It is important for any organization to identify problem employees and ideally have them take responsibility for their behavior. There are a variety of programs and processes that firms can use to assist in resolving attitude, attendance, and performance problems. Many believe a

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<sup>11</sup> “Recruiting and Retention Strategies,” Employment Law Information Network, Human Resource Guidebook, 4 February 2010.

responsibility-based approach to discipline can yield positive results.

The ultimate goal is to assist the employee to succeed. When that is not possible, a paper trail is necessary in cases of terminations for cause. Ultimately both the employee and the company will benefit from timely consideration and resolution of performance issues whether it results in performance improvement or an opportunity to part ways.

## Conclusion

A solid investment is to focus on the employee. Most seasoned bank executives and managers realize the dramatic impact high-quality employees can have within an organization. The first step is to increase the quality and capabilities of existing employees and then concentrate on wise hiring decisions when adding staff members.

Many companies conduct employee feedback surveys and focus groups to improve employee engagement. Clear communication to all staff and opportunities for employees to interact with managers and executives can also assist in an increasing engagement level.

Productivity is important, and an industry best practice is to ask employees for improvement

opportunities. These employee ideas must then be researched, validated, quantified, and prioritized. Suggestions approved by management can then have detail design and implementation plans created. While some of this work can be conducted internally, often an external partner is required to achieve optimal performance.

Coaching and executive coaching are fundamental, and when combined with training, provide continuous improvement opportunities. Leverage the employees already in the organization and invest in coaching as appropriate to help employees reach their optimal performance level. Training can often increase job satisfaction, employee engagement, and productivity.

Recruiting and retention will help to bring the best possible quality into the organization and retain the high-performing and high-potential employees. Fortunately, many efforts that benefit recruiting also benefit retention.

An investment in the employee is timely and appropriate. How can you refocus your efforts on the employee? What internal modifications may you make to refocus on the employee and where might you need external assistance? Those firms with high performing employees can leverage this important asset for their success this year and beyond.

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**Wisemar** is a management consulting firm providing dynamic solutions for the alignment of people, processes, products, and technology. The firm specializes in helping financial services clients through business process improvement, change management, and corporate strategy engagements. Wisemar was founded based on one simple principle – “client satisfaction.”

Wisemar leverages experienced senior consultants with a structured engagement process to deliver consistent positive results for clients. Wisemar executives and consultants have worked with the majority of the top 50 US banks; regional, community, and direct banks; and many of the top vendors and partners in the financial services space. This diverse experience helps provide the framework necessary to deliver innovative best practices to clients to help them improve performance. Wisemar is headquartered in Charlotte, NC.

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