Qualigence International

DRIVING BANK PERFORMANCE THROUGH TALENT OPTIMIZATION

Today, everything is changing. Digital enhancements continue to change how banks serve their customers. Credit unions continue to make inroads into spaces traditionally left to banks. Generations have wildly different objectives and expectations. Net interest margins continue to fluctuate.

In order to thrive, banks have to adjust their business strategy in response to both internal and external forces. The easy part is creating a new strategy. The real challenge is executing that strategy. Execution takes more than great ideas, great systems, and great planning. It takes great people aligned with a clear strategy. It takes talent optimization.

FOUR ESSENTIAL TRUTHS OF **TALENT OPTIMIZATION**

1 Talent optimization exists within a business context.

Talent optimization doesn't happen in a vacuum. It's informed by business strategy and when implemented properly, it produces desired business results.

Most banks have some form of a business strategy. Many times, this strategy reads out in technical or functional terms, and the people part is missing or disconnected. Using a talent optimization approach your business strategy provides context that will inform your design, hire, and inspire efforts.

The business strategy is the reference you'll use to measure all key actions and decisions. **Because of that, strategy is the starting point for talent optimization: anything you do relative to people must be aligned with the business strategy.**

It's best when employees connect with the business strategy on an emotional level—directly or indirectly. Mechanisms exist to create this emotional bond. For example, mission statements explain the organization's reason for existence, while vision statements paint an image of the ideal state the organization wishes to achieve. And the strategy, which defines the way the organization will succeed, also requires a dose of aspiration and a personal connection.

LET'S BE CLEAR: Talent optimization isn't about developing a new business strategy. Many professional firms, universities, and experts are dedicated to creating successful business strategies. Talent optimization is about translating your institution's well-designed strategy into business results through a human lens.

To facilitate this translation, the business strategy should meet three criteria. It must be:

- **Explicit and clear**
- **Agreed upon**
- **People-centric**

Follow these best practices to make your business strategy the starting point of your talent optimization journey:

1. Make your institution's business strategy explicit and clear.

Your strategy must be documented to be actionable. Even a small bank needs to articulate its strategy in the form of fundamental objectives and an operating model. This is a prerequisite for any organization that plans to share the strategy with other executives, employees, partners, and customers—or use it as a guide for making key decisions.

The strategy communicates the key aspects of why and how your bank operates, and includes:

- Objectives your institution wants to achieve
- Your products, services, audience, users, or customers
- How your bank competes or operates in your market
- Financial resources required to achieve your objectives and support the operating model

Is your organization focused on innovation? Is it focused on efficiently delivering standardized products and services at scale? Is it focused on a small number of segments you want to dominate through execution excellence?

Regardless of the framework you use and the extent of your effort, the strategy must be expressed in simple terms and be easy to understand.

2. Ensure stakeholders agree on the strategy.

Business strategy agreement shouldn't be assumed. Even in smaller banks, co-founders or leaders may have different views on what the strategy should be—and may even have differing views on what the current strategy is. Disagreement on something as important as business strategy can cause your organization to lose momentum and become consumed by arguments, indecisive leadership, wasteful resource allocation, and disengaged employees.

Diversity of opinion is unavoidable; actually, it's healthy because a strategy should account for dynamic changes in the environment. It shouldn't be developed "by committee" in a vacuum. But it's critical that the key elements of the strategic plan are agreed upon. Successful talent optimization requires strategic clarity. Key stakeholders need to discuss and resolve any differences in opinion. Senior stakeholder buy-in means they'll own the strategy and easily adapt it as circumstances demand.

3. Express the strategy in people terms.

A business strategy generally focuses on business goals and measures such as go-to-market approach, operational efficiencies, asset investments, and growth plans. It may include people-related measures like hiring plans or evolution of the total number of employees, but it rarely addresses in detail the various elements of talent optimization.

Multiple types of data are needed to manage talent: behavioral profiles, employee engagement, and job performance are just three.

Translate your business strategy so it's people-centric and matches the people data your credit union uses to manage its talent.

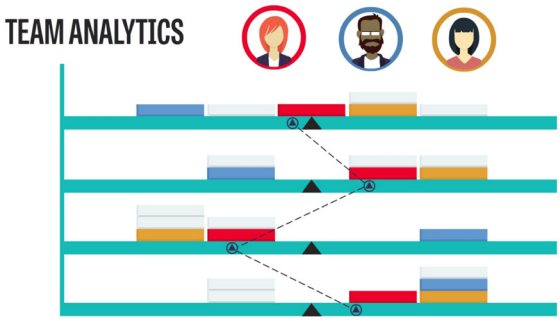
For example, if your institution's strategy calls for strong innovation capabilities and rapid introduction of new technologies and offerings in the marketplace, you want your employees to have a higher risk tolerance, to be decisive, and to be comfortable with uncertainty. Add a people dimension to your business strategy by expressing it in terms of its talent requirements.

When business results fail to meet expectations, talent optimization gaps are the most likely culprit. If you've skipped steps in your design, hire or inspire efforts, your people won't be able to work together at their best. This will create a drain on the organization and muck up how the work flows through it.

Talent optimization is essential for bringing strategic goals to fruition in the form of business results. It ensures you hire the best candidates for open positions, and that individuals, managers, and teams are executing at their full potential. This is the only way your organization can produce optimal business results.

2 Talent optimization is driven by people data.

Talent optimization is driven by people data. When bank leaders measure people data and apply the resulting insights, they're empowered to make objective decisions rather than subjective ones. There are a variety of tools and techniques talent optimizers can use to collect and measure people data.



While it's true that people are complex, this is no excuse to just accept the status quo. With the right people data in hand, a talent optimizer knows that the way people behave and interact in organizations is in fact predictable given the business context. What matters most is to take an objective, systematic approach to understanding people in organizations and using the resulting insights to make improvements to the way they work.

3 Talent optimization must be embraced by leaders at every level.

Talent optimization won't work if it's only implemented in the C-Suite. While talent optimization must begin with buy-in at the top (executives will be the first messengers and champions of talent optimization) it can't end there.

Banks that engage talent optimization must adopt the mindset of leaders at every level. This means that leadership extends beyond VPs and directors to first line managers and even tellers. Everyone in the bank can and should be regarded as a leader, whether that means they manage down, up, across—or self-manage.

4 Talent optimization protects against the four forces of disengagement.

Employee disengagement is a widespread issue that causes institutions to lose hundreds of millions of dollars to poor productivity, absenteeism, poor client service, and toxic workplace cultures. By some measures, more than 60 percent of U.S. bank employees are disengaged.

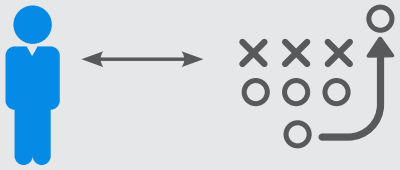
Disengagement causes employees to withhold "discretionary effort" and to deliver the minimum amount of work to stay employed. Inevitably, when employees don't give it their all, bank performance suffers.

FOUR FACTORS CAUSE DISENGAGEMENT:

MISALIGNMENT

WITH THE JOB:

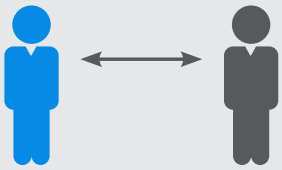
Poorly defined positions, sloppy hiring processes, or evolving business needs create a mismatch between bank employees and their roles. Lack of job fit directly impacts motivation and productivity.



MISALIGNMENT

WITH THE MANAGER:

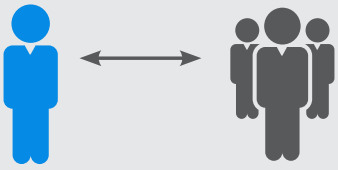
The relationship between employees and their managers is the most critical contributor to engagement, yet many managers are poorly equipped or not trained to effectively understand their employees' individual needs. They struggle to communicate with and motivate their employees.



MISALIGNMENT

WITH THE TEAM:

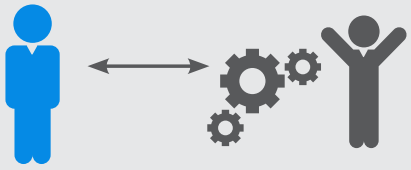
Team-based work is more critical than ever, yet poor communication, insufficient collaboration, and inability to manage the tensions inherent to teamwork continue to extract a massive tax on productivity and innovation.



MISALIGNMENT

WITH CULTURE:

To be productive and engaged, employees need to feel they belong. When they feel out of tune with their organization's values, or when they lose trust in their leadership, their own performance suffers, and they can create a toxic work environment that undermines productivity.



Optimizing talent means always considering these four factors: **job, manager, team, and culture**. An optimized institution keeps these factors top of mind with every people decision and action, e.g., when it measures employee engagement, when it selects an organizational structure to support its business strategy, and when it expands its workforce.

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