

TALENT MATTERS.

EXECUTIVE SEARCH | BOARD ADVISORY | MANAGEMENT ASSESSMENT

THE WAR FOR TALENT IN BANKING: POST-PANDEMIC UPDATE

PENNSYLVANIA ASSOCIATION OF COMMUNITY
BANKERS ANNUAL CONVENTION

SEPTEMBER 18, 2021

ALAN J. KAPLAN / FOUNDER + CEO
KAPLAN PARTNERS

KAPLAN PARTNERS

- **Founded May 1, 1994; 27 years of succession success!**
- **Retained executive search and board advisory across the banking and financial services sector:**
 - Regional and community banking institutions
 - Wealth management and mortgage banking firms
 - Corporate financial search
 - Financial technology
- **Board advisory services for:** Director succession, performance, diversity, and recruitment
- **Management assessment services for:** CEO succession and executive management development
- **Partner organization with ABA, ICBA, Bank Director, PACB, PBA plus 7 additional state banking associations**

ALAN J. KAPLAN

FOUNDER + CEO

- 34 years in banking executive search and talent assessment
- Credit-trained corporate banker
- Industry leader in bank succession and talent management
- Led 77 bank president/CEO/COO succession assignments
- Former Penn Liberty Bank advisory director
- National Association of Corporate Directors *Board Leadership Fellow*
- National speaker and author for industry associations on corporate governance, talent management, and leadership succession
- Board Member, Fischer-Shain Center for Financial Services, Temple University Fox School of Business
- Former global board of directors, Association of Executive Search & Leadership Consultants

KAPLAN PARTNERS KEY METRICS

- Successful client engagements across 21 states & 25 different markets in PA
- Over 50% of 2020 & 2021 executive placements were diverse talent
- Since 2020, 78% of board placements have been diverse talent (Average = 59%)
- Since 2020, 44% of board placements have been minorities (Average = 22%)
- 77 successful bank President/CEO/COO succession assignments
- 97% 3+ year stick rate for CEO and C-suite searches

WHY TALENT & SUCCESSION MATTER

- Leadership Succession & Selection is #1 Responsibility of Bank Directors.
- Boards in turn Must Hold CEOs Accountable for Development of a Superior Team to Execute the Plan.
- Regulatory Scrutiny of Succession Plans Rising for All C-Suite Roles.
- Continuity of Leadership Promotes Continuity of Strategy
- Employees, customers, competitors, communities, shareholders all watching!
- Good Succession impacts the bank's credibility in the market - along with customer & employee retention - based on handling of leadership transitions.
- Well groomed successors are proven to perform better and reduce the likelihood of a sale or merger.

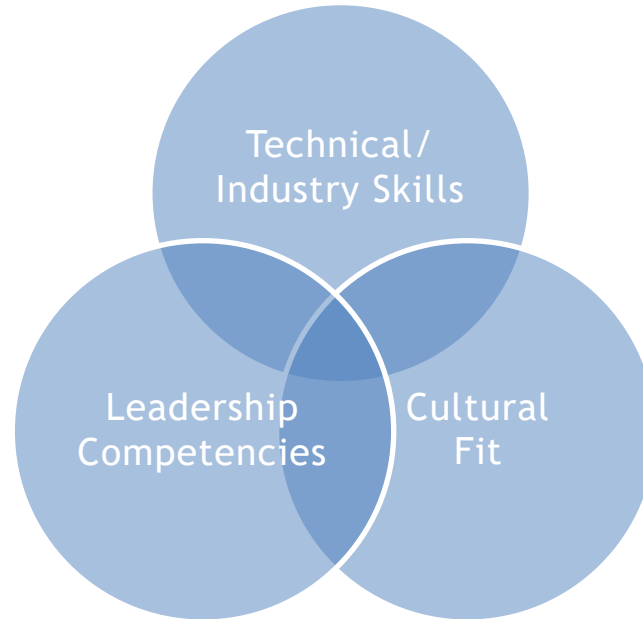
WHY TALENT & SUCCESSION MATTER

- Pre-pandemic run rate of losing roughly 50 banks each quarter.
- 4,947 bank charters as of 9/9/2021; we'll likely be under 4,000 by 2025

- August National Unemployment Rate = 5.2%
- Pennsylvania Unemployment Rate (July) = 6.4%
- College Educated Workers Unemployment Rate = 2.8%

THE EXECUTIVE SWEET SPOT

WHERE SUCCESS ALIGNS



7 POST-PANDEMIC BEST PRACTICES

1. Ensure Alignment of Human Capital Strategy and Business Strategy
2. Focus on the Candidate Experience
3. Consider Assessment Tools to Reduce Potential “Mis-Hires”
4. Employee Flexibility is on the Rise
5. Revisit Total Rewards Programs
6. Upgrade Benefits and Perks to Boost Retention
7. Enhance Board Succession Planning

STRATEGIC ALIGNMENT

A critical and often unappreciated variable in talent management and succession is the bank's strategic direction:

- Where is the company heading, and is everyone properly aligned?
- *Strategy Informs Profile*: Is the Strategic Plan a True Roadmap?
- What lens are we looking through?
- If we believe that we will need different skills & leadership competencies for the future, up and down the food chain, do we know what they are?
- Have we spent our lead time wisely and done all we can to best prepare our high potential employees for their next role?

THE CANDIDATE EXPERIENCE

- What kind of impression does your hiring process create?
- Are all of your bank's position profiles written in an "inclusive" fashion?
- Are you truly looking for diversity in your candidate pools by fishing in "different ponds", or are you following the same historical pattern?
- Are your managers extremely well trained in interviewing skills?
- Have you adapted your interview processes to optimize virtual interviews?
- Are you able to react quickly and make decisions on high demand candidates?
- How are you onboarding new hires, particularly when some workers may remain remote for an extended period?
- Have you utilized any assessment tools as part of your hiring program?

ASSESSMENT TOOLS

STRENGTHS:

- Adds objective perspective to candidate evaluation
- Reveals underlying personality traits
- Enhances understanding of natural candidate behaviors
- Avoids unconscious bias

CAUTIONS:

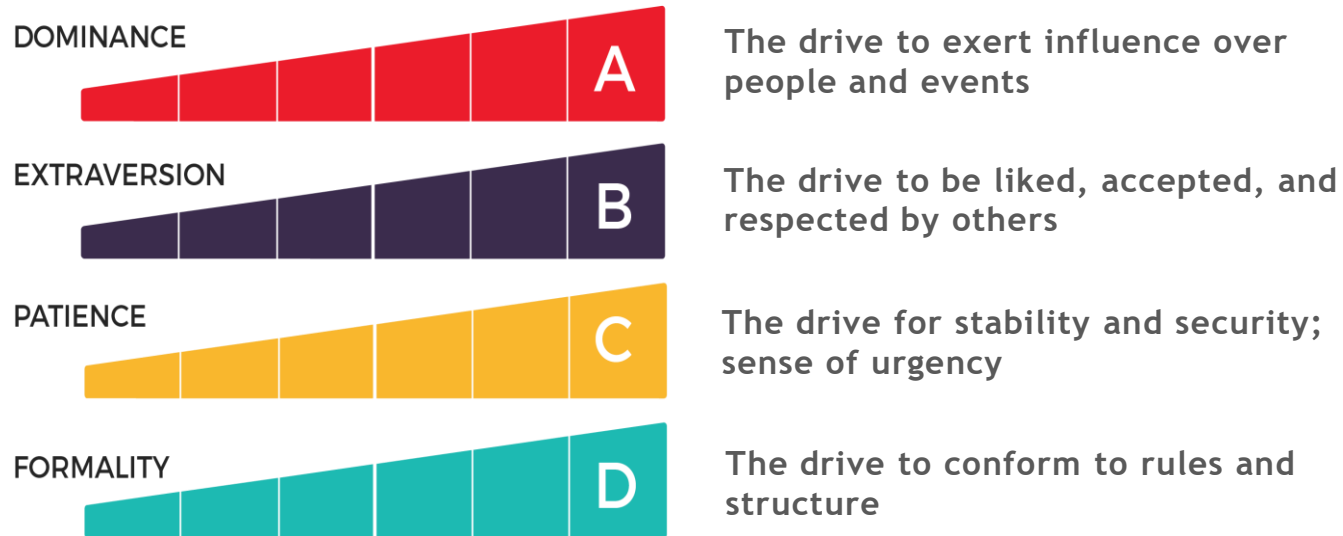
- Must be put into proper context
- Need clarity of role and desired cultural attributes
- Overemphasizing missing pieces—we all have them!
- Seeking perfection where none exists
- Are only one piece of the candidate puzzle

ASSESSMENT TOOLS

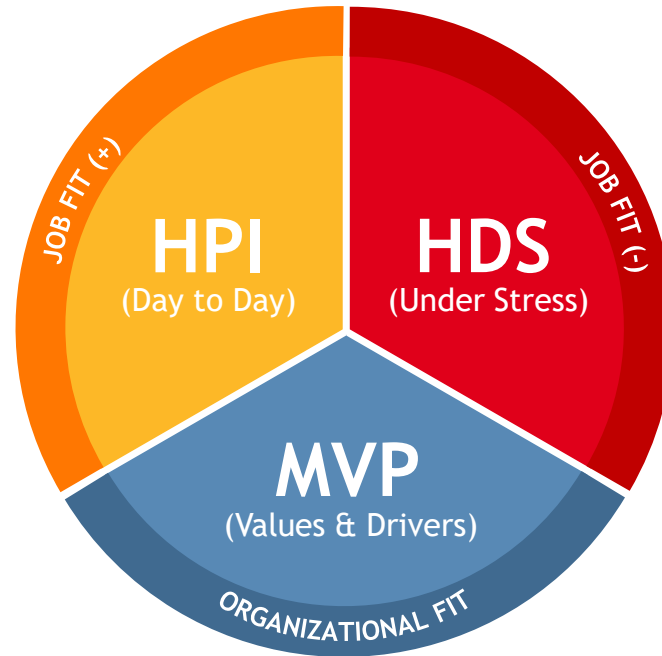
THE WHOLE CANDIDATE



EXAMPLE: PREDICTIVE INDEX BEHAVIORAL DRIVES



EXAMPLE: HOGAN ASSESSMENTS



FLEXIBILITY AND TALENT

- What is your bank's policy on remote work, short and long term?
- Be mindful of the new “two tier” workplace! Are you unintentionally creating a double standard with some employees “in” versus “out”?
- How are you assisting middle managers in overseeing and developing workers who they may now see less frequently in person?
- Is your bank crafting job descriptions in an “inclusive” manner and committed to diverse candidate pools, given today's scrutiny?
- How willing are you to consider remotely hiring workers in high demand specialties, such as IT, risk & compliance, who are not in your core market?
- How are you navigating performance management with remote workers?

REWARDS AND COMPENSATION

Revisit Rewards Programs at Every Level; Pay For Performance is critical:


- Accept that Compensation is Rising for All Employees
- Stakeholders prefer performance driven incentives
- Enhance the incentive potential, short and long term
- Is there an equity or equity-like component to compensation?
- PFP Allows for better management of fixed salary costs
- You Must Differentiate High Performers
- True “A” Players are Worth the Investment
- Change of Control Protections Now Standard for Executive Hires

CREATIVE RETENTION (BENEFIT) IDEAS

- Employee Stock Ownership Plans / Phantom Stock
 - Flexible Time Off; “Home Leave” versus Sick Days
 - Enhanced Education Benefits; Encourage More Training
 - Pet Insurance
 - Child-Care Benefits
 - Consider Senior-Care Benefits
 - Identity-theft Protection
 - Use “big data” to understand employee turnover and retention patterns
 - Expose high potentials to the boardroom
- *Less focus today on gyms, on-site meals and commuter benefits*

BOARD SUCCESSION

- Boards are Getting Older (Average Age 63 & Rising)
- Tenure and Retirement Ages Rising
- New Director Additions Must be Skill-Driven; Conduct a “skills gap analysis”
- Bank Boards Need *More Diversity of Perspective*; how and where are you seeking your next generation of Directors?
- Enhance Board Performance & Accountability; Self & *Peer* Evaluations the New Norm
- Revisit Director Compensation, Which is Often Inadequate
- Enhance Focus on CEO and Leadership Succession
- Board Succession is a Process, *Not an Invitation*
- *Proactively Plan for Board Refreshment!*



THE FUTURE OF BANKING WILL BE ALL ABOUT CAPITAL AND TALENT. BEYOND ABUNDANT CAPITAL, SUCCESSFUL INSTITUTIONS WILL NEED THE STRONGEST POSSIBLE TEAM OF HIGHLY TALENTED BANK LEADERS, DIRECTORS, AND PRODUCERS, TO SURVIVE AND THRIVE IN THE FUTURE.

— ALAN J. KAPLAN / FOUNDER + CEO

ALAN J. KAPLAN

FOUNDER + CEO

ALAN@KAPLANPARTNERS.COM

610 642 5644

KAPLANPARTNERS.COM

KEY TEAM MEMBERS

KAREN KANE, MANAGING DIRECTOR

- 25 years retained executive search in banking and financial services, corporate finance, and information technology
- Award-winning sales executive with ADP

DARA KLEIN, MANAGING DIRECTOR

- 17 years retained executive search in banking, wealth management, finance, and marketing
- Former Xerox national award winner

NICK DEMEDIO, PRINCIPAL

- 20+ years HR, executive search, and compensation experience, including 7 years of banking C-suite recruiting expertise
- Former CHRO of Royal Bank