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# Cultivating Leadership to Ensure Continued Success for Your Financial Institution



# Introduction

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Since the Great Recession of 2008, Financial Institutions (FIs) have endured unprecedented challenges—from a dizzying array of constant regulatory changes, to fluctuating market forces and increasingly demanding shareholder expectations. These burdens have only been exacerbated by the Covid-19 pandemic.

As a result, many FI boards of directors and their leadership teams are fatigued. Some banking executives are too exhausted to maintain this feverish pace and are looking to depart, either by seeking another FI to acquire their organization, looking for “greener pastures” in another industry, or simply retiring from the profession.

If you’re not ready to hand your keys over to another FI via acquisition, it’s time to get serious about developing the internal bench strength you’ll need to enable the next generation to take over the reins. We can’t stress enough that preparing your rising stars isn’t just a protective plan to keep talent within your institution for the future, it’s also an offensive move that will put your FI in a more agile, competitive position today.



## Inside this white paper you’ll learn:

- » **Critical attributes to look for in future FI leaders**
- » **How to assess whether leadership candidates have the right potential**
- » **Tips and resources for training future leaders**
- » **Why investing in talent leads to retention**
- » **Steps for building a formal Leadership Development Plan**

# Critical attributes to look for in future FI leaders

Banking isn't for the faint of heart. It's a complex, heavily regulated industry that's dependent upon relationships—especially at the community banking level—as well as a host of personal and professional traits that don't always come naturally to most people. In fact, the skills needed to be a successful FI leader go well beyond those needed to be a good manager. That's why banking executives need to identify individuals with the right potential and proactively nurture within them the following traits:

## 1. Vision

No organization can exist without a leader or leaders who have vision.

Arguably the most important leadership attribute, vision isn't limited to written mission statements. It is, rather, "...the art of seeing what is invisible to others," as writer Jonathan Swift succinctly put it. Or, in the words of Jack Welch, former chairman and CEO of General Electric: "A leader's job is to look into the future and see the organization, not as it is, but as it should be."

Sometimes referred to as strategic thinking skills, vision can be identified in individuals when they demonstrate behaviors such as self-reflection, long-term goal setting, asking a lot of the right questions, proactively pitching new ideas or initiating new projects.

Fortunately, strategic thinking can be developed in your future leaders by encouraging them to become curious about the big picture of your organization and by asking questions such as, "Why are we moving in this direction?" When they pitch an idea, have them consider what organizational goal supports it and what the effect will be on internal and/or external stakeholders. Doing this exercise on a consistent basis can hone strategic thinking skills, encouraging your designated leaders to develop their vision.

Attending banking conferences to learn from frontrunners at other institutions, and reading books and articles written by industry visionaries, can also be helpful for your upcoming executives when building their vision muscles.

Do the managers and leaders in your organization have a vision for the areas they head up? Does their vision fit within the Board's vision? Aligning vision across the organization will determine your ultimate success as an FI. Having leaders with vision is priceless and the best way to secure the success of your FI for generations.

“A leader's job is to look into the future and see the organization, not as it is, but as it should be.”  
— Jack Welch, former chairman and CEO of General Electric

## 2. Business acumen

There's a fine line between average FI performance and high performance. The difference between the two comes down to the business acumen of the FI's leaders.

Someone with well-developed business acumen will be quick to understand a situation and be decisive on a course of action that results in a favorable outcome for the business. The attribute encompasses multiple variables including analytical and problem-solving skills, deep industry knowledge, and financial shrewdness. In addition, someone with the attribute will demonstrate a proven ability to create economic value, which requires that they understand relevant economic indicators; your FI's products, stakeholders and resources; federal and state regulations; existing and potential geographical markets and more—and manage all these factors around organizational goals.


For example, high-performing FIs are led by people who understand the interrelationship of the key ratios like capital and liquidity, and key performance indicators like Net Interest Margin (NIM) and efficiency ratio. In normal economic conditions, when the Treasury yield curve has a typical slope, and there is adequate loan demand and liquidity in the marketplace for funding, growing assets and generating earnings shouldn't be difficult.

However, your future leaders need to understand how to manage risk and performance during difficult economic conditions, too. They need to lead your institution's performance even when rates are low, liquidity is high and loan demand is low. Leaders need the acumen that enables them to understand the data, weigh risks and make courageous decisions. This requires constant attention and focus.

Business acumen isn't something that most people inherently have; it's developed over time, which is why your future leaders need to be lifelong learners. It's a matter not only of mentorship and encouragement, but also of inherent initiative. Look for someone who wants to learn and is constantly absorbing new information, who learns on their own without being directed, and who can follow trends and look into the future.

## 3. Communication skills

In 1952, Simon & Schuster published the book, "Is Anybody Listening: How and Why U.S. Business Fumbles When It Talks with Human Beings," by sociologist and organizational analyst William H. Whyte. In that seminal work, Whyte coined a phrase that we use often here at Deluxe's Banker's Dashboard: "The great enemy of communication, we find, is the illusion of it." Put another way, the problem with communication is the speaker's illusion that the receiver hears and understands everything we say and the way in which we intended to say it.



The difference between an average FI and a high performing one comes down to the business acumen of its leaders.

Five distinct elements comprise communication, according to Anne Willkomm, Assistant Clinical Professor and Graduate Studies Department Head of Goodwin College, Drexel University:

- » Verbal – the spoken word
- » Non-Verbal – body language
- » Written – both formal and informal
- » Listening – arguably the most valuable of all communication skills
- » Visual – pictures are truly worth a thousand words

It's vital that leadership throughout your organization communicates well, but it's rare to find leaders adept at using all five communication elements to inspire confidence, trust, knowledge and vision. When you find someone skilled at that level of communicating, hang on to them!

#### 4. Growth mindset

“The banker of the future will need to have a growth mindset attitude and become a lifelong learner,” writes Microsoft CEO Satya Narayana Nadella in [Becoming the Banker of Tomorrow](#).

What's more, successful bankers must be able to nurture a growth mindset within everyone at every level of the organization, from the board room to the teller line.

**What is a growth mindset?** It's an approach to leadership from an optimistic viewpoint, one that says challenges should be embraced because they are opportunities to grow. It includes the attitude that feedback is useful and can be used to improve performance. Other hallmarks include a sense of curiosity about what is possible, open and honest communication across all levels, and the ability to pivot with agility when needed. Leaders with a growth mindset also can drive staff performance by engaging and empowering them to tackle and solve problems.

To assess whether your potential leaders possess a growth mindset, ask them questions such as:

- » What is one mistake you made recently? What could you do to improve next time?
- » What do you do when you don't understand something you're trying to learn?
- » What is a time you were challenged, and how did you respond to that challenge?

If their answers demonstrate curiosity and a strong desire to learn, the tenacity to not let failure discourage them, and the attitude that they can improve and aren't afraid to put in the work to do so, you're on the right path to identifying someone with a growth mindset.



On the other hand, if their answers indicate that they view challenges as something to be avoided, easily get frustrated or defensive when receiving feedback, or think that their skills are set and can't be improved, you're looking at an individual with a fixed mindset and, therefore, limited leadership potential.



## Growth mindset vs. fixed mindset

### Growth mindset

- » Embraces challenges
- » Welcomes feedback
- » Exhibits curiosity
- » Communicates openly
- » Pivots with agility
- » Encourages others to grow/achieve
- » Inspires performance

### Fixed mindset

- » Indifferent to challenges
- » Responds defensively to feedback
- » Content with status quo
- » Avoids tough conversations
- » Prefers familiarity to growth
- » Easily discouraged
- » Resists change

## 5. Resilience

Actor, martial artist and philosopher Bruce Lee is quoted as saying, "Do not pray for an easy life; pray for the strength to endure a difficult one." He could have been talking to bankers.

Bank leaders today must have the strength to endure many hardships: intense competition, dizzyingly quick cultural shifts to digitization, constant regulatory changes, security breaches and increasing customer expectations. In other words, to survive and thrive in the banking world now and in the future, a leader needs resilience.

Resilience provides the ability to recover quickly from change, hardship or misfortune. According to best-selling author of "TakingPoint," Navy SEAL Combat Veteran [Brent Gleeson](#), when someone is resilient, they:

- » Maintain emotional equilibrium and composure under stress
- » Do not agitate others by spreading tension and anxiety
- » Tolerate ambiguity and adapt readily to new situations
- » Handle mistakes or setbacks with poise and grace
- » Put stressful experiences into perspective and do not dwell on them
- » Invest in their own physical and psychological health
- » Communicate confidence and steadiness during difficult times
- » Have the support necessary to cope with emotional overload

**To survive and thrive in the banking world today and in the future, a leader needs resilience.**

# How to assess whether leadership candidates have the right potential

Aligning skill sets and personality profiles is a smart way to equip the individuals you select as future leaders for success. But how do you figure out if they have the personality and decision-making skills, as well as personal interests and values, that align with your institution?

In our experience, this understanding should be obtained during the hiring process and there are many assessment tools—such as the DISC Profile—available to help.



## The risks of not planning strategically

**FIs that don't perform a thorough review of their greatest assets—their employees—and establish comprehensive plans to develop their talent, place themselves in precarious positions:**

- » During exams, regulators routinely look for succession plans for all key leaders throughout the institution to assess stability and continuity.
- » Every experienced banker has seen a business fail because the owner neglected to plan for the unexpected. FIs are not immune to this possibility. Having development plans for all key personnel can help an FI navigate through various scenarios, from the sudden retirement or death of a key leader to the departure of a manager.
- » If there's a gap in bank leadership, competitors can swoop in and not only gobble up your business but also poach your best talent.
- » Given the current tight labor market, the right talent may be extremely difficult to recruit from the outside when needed.

A [solid approach](#) to assessing attributes within your existing staff is to develop a preferred personality profile for each leadership position. Then, do a SWOT analysis for each employee in your FI to identify:

- » **Strengths.** What are the specific skill, emotional, personality and leadership strengths of each employee? What areas of the FI would they best be suited to lead in the future?
- » **Weaknesses.** We all have them; the key is identifying them and then figuring out a plan to improve those weak spots. It's important to note that a weakness may not be a skills training need, but rather a trait like emotional maturity or decision-making ability.
- » **Opportunities.** Where are the best opportunities for that employee to thrive in your organization? Do they have leadership opportunities? Communicating those during the review process provides those employees with not only an immediate morale boost, but also acts as a retention builder.
- » **Threats.** Do they have the talent and community visibility to be on the radar of one of your competitors? Being proactive with key talented employees in finding out what engages them to remain a part of your team will pay lasting benefits toward retention. It's considerably easier to retain a valued employee than it is to find an equal replacement.



### Another leadership planning best practice

BOLI (Bank Owned Life Insurance) is a seldom-discussed strategy for planning leadership succession. In the event of the death of an individual, the bank receives cash to use to offset the negative financial impacts from the loss of that key leader. (You can arrange that the deceased individual's family also receives a portion of the death benefit.)

According to [BoliColi.com](#), the advantages of a BOLI include:

- » Cash values grow tax deferred
- » Death benefits are tax free
- » Immediately accretive to earnings
- » Diversifies the investment program of the FI

Engage third-party experts to keep things objective when arranging for BOLI. Often your FI's primary legal counsel or auditing firm can provide guidance or refer you to an experienced insurance provider.



# Tips and resources for training future leaders

Emerging leaders need to receive the training that will qualify them for their future roles. Once these individuals have been identified, the next step is to define personalized, specific training plans that will help them realize their leadership potential. (If internal candidates don't exist, define a strategy to acquire the necessary talent.)

One of the most effective methods for preparing future leaders comes in the form of Individual Development Plans or IDPs. As the name implies, an IDP is specific to a person's unique training needs—whether that education lasts three years or 10—so no universal template will adequately serve everyone across an organization. [Harvard Business School Online](#) advises a five-step approach to developing an IDP:

1. Take stock of strengths and weaknesses (see SWOT analysis on p. 7)
2. Set and prioritize specific, attainable leadership goals (long-term and short-term)
3. Engage in leadership training in group settings for encouragement and support
4. Connect with like-minded peers and seek opportunities to employ knowledge as well as to receive feedback on progress made
5. Hone “soft” skills such as active listening, empathy and creating value in a negotiation

Each training step should be documented and well defined, but not set in stone. Be sure to build flexibility into an IDP so as individuals grow, market conditions change or other situations arise, the plan can pivot to meet the new reality.



## Challenges that get in the way of developing talent

According to the [FDIC](#), only 52% of closely held community banks and only 46% of widely held institutions have identified a viable successor.

Many community FIs and their boards of directors struggle to prepare for leadership changes because:

- » Directors may be hesitant to start a conversation with current senior management
- » Executives may be preoccupied with running the daily operations of the FI and fail to consider a future of the FI that doesn't include them or their key people
- » Complacency, lack of talent depth and the challenge of recruiting outside talent also are causes of putting off an annual leadership development review by the board and management

## Resource Guide

If, like many community FIs, your institution struggles to prepare your emerging leaders with the skills and knowledge they'll need to succeed in their intended roles, the following resources can help:



### Internal resources for training future leaders

Even if you lack a training budget altogether, there are still many tactics you can deploy internally to educate your young executives. Consider:

- » One-on-one coaching and mentoring with a senior leader or board member
- » Exposing candidates to every area of your FI, from the teller line to operations and regulatory meetings, where they can sit and listen. (Eventually, this allows them the opportunity to respond—with supervision—to examiners).
- » Involving them in the local chamber of commerce, banking association events or civic organizations where they can grow confidence and experience as leaders while benefitting the communities in which they operate.
- » Teaching candidates even the little things, such as how to gracefully eat dinner in a formal setting.
- » Implementing a rotational program that allows a candidate to spend three to six months in a position, then rotate to a new one, “can easily enable employees to try new things and find their best fit,” states [Byron Marshall](#), research director at Bank Administration Institute (BAI). “It can also help leaders identify areas where employees have high potential, which helps employees and leaders envision a robust career path. Additionally, rotational programs will provide a broader view and understanding of your organization and how it operates. This deepens engagement and is important to your future leaders.”



### External resources for training future leaders

#### Associations

Begin with your local, state and national groups, including:

- » Independent Community Bankers of America
- » Community Bankers Association
- » American Banking Association
- » National Association of Federally-Insured Credit Unions
- » State banking associations

#### Regulatory bodies

Regulators also provide training and resources. These banking agencies want FIs to succeed and will work with you when you have questions:

- » The Federal Reserve
- » Federal Deposit Insurance Corporation (FDIC)
- » Office of the Comptroller of the Currency
- » State banking agencies

#### Continuing education

Banking colleges across the country are an excellent external resource. Some we are familiar with include:

- » Graduate School of Banking at Louisiana State University (three-year program)
- » Georgia Banking School at the University of Georgia (one-year program)
- » Graduate School of Banking at the University of Colorado (three-year program)

#### Communication Skills

Depending on the level of their skill set and your budget, consider:

- » Enrolling them in local college or online public speaking or writing courses
- » Joining a local Toastmasters group
- » Hiring a business communications consultant to conduct one-on-one coaching sessions
- » Participating in a local theater group's improvisation workshop
- » Providing books on effective communication that they can study on their own

# Why investing in talent leads to retention

Financial institutions face fierce competition for talent—not only from peer organizations but also from non-bank entities such as fintechs and even from industries outside financial services—which makes retaining your future leaders more challenging than ever.

Research has shown that training is key to retaining top employees, especially those who may be pegged for leadership positions.

- » **71%** of Millennials who are likely to leave an organization in two years are dissatisfied with how their leadership skills are being developed ([Deloitte](#))
- » **69%** of Millennials aspire to be leaders in the next five years ([Hartford](#))
- » **60%** want training to develop their leadership skills ([Hartford](#))

While your future leaders will view their career development as a top priority for staying with a current employer, some FI executives could “worry that after investing time and money into developing their workforce, these newly developed employees will leave,” states Byron Marshall of BAI. “Instead of fixating on ‘what if,’” he writes, “financial services leaders should concentrate on training people without fear of them leaving. Talk to people about career and life aspirations; find unique ways to help them achieve their goals. Provide opportunities to help people develop skills to meet their long-term goals.”

And the good news for FI executives? Training is a [proven retention strategy](#).



## Leadership development isn't a once-and-done project

Because banking technology, the economy and the regulatory environment constantly change, establish a process to revisit your Leadership Development Plan at least once a year and refresh it as necessary. Insist that your board, or at least a board committee, participate in this process annually.

A great time for this evaluation process is the last quarter of each year to coincide with performance rewards, setting training budget expectations for the coming year, and executing recruitment strategies early in the new year.

# Steps for building a formal Leadership Development Plan

Here at Banker's Dashboard, we work with a host of FIs across the country every year and have noticed a disturbing trend: Many smaller FIs (under \$1 billion in assets) have no formal leadership succession plan in place.

A case in point: Recently, the leader of a successful bank in the Southeast shared with us that all the organization's leadership was nearing retirement, including the directors, and they were too drained to do anything about it. Instead, they were looking for another FI to buy them. Unfortunately, this FI was faced with having to sell into a market that may not pay them for their full value since there will likely be too few leaders left after an acquisition to hold the organization together.

No one wants to face a scenario like this. Instead, challenge your leadership team and your board to ensure that this will be the year of the formal Leadership Development Plan. It's easy to start:

**Many smaller FIs (under \$1 billion in assets) have no formal leadership succession plan in place.**

## How to build a Leadership Development Plan

- Step 1** > Identify those team members with:
  - » Business acumen
  - » Vision
  - » Communication skills
  - » A growth mindset
  - » Resilience
- Step 2** > Align skill sets and personality profiles with a SWOT analysis of every position in your organization.
- Step 3** > Identify and implement IDPs that meet the unique needs of each of your leader candidate.
- Step 4** > Move forward with confidence that your training investments will lead to full retention of your future leaders.
- Step 5** > Make sure your Leadership Development Plan includes a process for transferring institutional knowledge and for technology training. Your institution's leadership—today and in the future—needs the [right tools](#) to survive and thrive in a world where data-driven decision-making is mission critical. Advance leadership planning also should include an examination of how robust or fragile your existing processes, as well as the documentation of those processes, are.



# Conclusion

As it has for centuries, banking continues to serve as a foundation of our economy and the success of businesses of all sizes. With the industry changing at a pace never before seen, and many seasoned financial services professionals seeking to exit, the need to develop new talent within your institution is more critical than ever. Remember, preparing your rising stars not only ensures that your FI will be more agile and competitive now and into the future, but also enables you to leave a legacy of success for your community for generations to come.



## For additional reading, we suggest the following:

- » [Putting the Success in Succession Planning and Management](#) (Community Banking Connections)
- » [The importance of succession planning at community banks](#) (Deluxe blog)
- » [How to crisis-proof your bank's succession plan](#) (Independent Banker)
- » [Why succession planning is key to bank independence](#) (Independent Banker)
- » [Planning for the next generation](#) (McKinsey & Company)
- » [Succession Planning: What the Research Says](#) (Harvard Business Review)
- » [The Leadership Challenge](#) by James Kouzes and Barry Posner

## About Deluxe

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