RETAINING TOP TALENT IN A Consolidating Environment

BattaliaWinston

By Terry Gallagher, President

CONSOLIDATION IS A FACT OF LIFE IN BUSINESS TODAY. IN SOME INDUSTRIES, DIGITAL-NATIVE DISRUPTORS, WHICH OFTEN AREN'T EXPECTED TO PRODUCE A PROFIT FOR YEARS, GUT THE PROFIT MARGINS OF EXISTING COMPANIES. IN OTHERS, SUCH AS RETAIL, SUPPLIERS ARE CONSTANTLY SQUEEZED TO LOWER PRICES SO THAT THEIR CUSTOMERS CAN STAY IN BUSINESS.

The financial services business, similarly, has been transformed by consolidation. Since 2002, the number of FDIC-insured commercial banks has shrunk almost in half, from 7,800 to 4,000 today.

A key driver of M&A in financial services has been the Dodd-Frank Wall Street Reform and Consumer Protection Act. The law was enacted in 2010 to circumvent a recurrence of the financial crisis of 2008, which triggered the Great Recession. The costs of complying with Dodd-Frank has added 243 new banking regulations which has had a significant impact on the bottom line for financial services institutions. Although the Trump administration eased many Dodd-Frank regulations in 2018.

In addition to the increased regulatory burden, banks are now dealing with the competitive necessity of building out digital banking services and have a heightened risk of cyber-attacks. Both of these factors, among others, require banks to significantly increase their capital expenditures in technology. In fact, JP Morgan Chase, the country's largest bank, budgeted $11.5 billion for IT in 2019 alone!

> ***Throughout the business world, consolidation is taking place because enterprises must invest in technology for almost every function, from digital marketing and the use of big data to optimize business decisions to the application of artificial intelligence to streamline operations.***

Consolidation Shifts the Talent Mindset

Retaining top talent in a consolidating business environment has become a critical challenge for CEO's and CHRO's, who are tasked with trying to maintain the engagement of their C-suite executives and high-potential rising stars.

CEO’s and CHRO’s who want to come out on top must attract and retain the most talented people, as well as build a robust bench of succession talent.

What is the relationship between consolidation and talent retention? In short, consolidation has caused a heightened sense of anxiety about job security and career prospects. Consolidation exacerbates the larger trend toward reduced company loyalty and increased job-hopping. The median job tenure for workers has hovered between just 4.1 and 4.6 years for the last decade, according to the Bureau of Labor Statistics.

Top executives and ambitious employees are wary of losing their positions as a result of an acquisition or merger. While executives with the larger organization in a merger are more likely to keep their jobs, that is not always the case for all of the most talented employees. Rising leaders, therefore, value career development programs and exposure to leadership within their industry because they see them as part of an insurance policy for job security if they end up on the “wrong” side of an acquisition.

Best Practices for Retaining Top Talent

One of the best practices organizations are using to retain top talent is proactive career planning. Rather than discussing an employee’s career opportunities during an annual review, when salary and bonus considerations are likely to dominate the conversation, career planning sessions with top talent and high-potential employees are best done six months after an annual review.

> ***One key to proactive career planning is simply to ask the high potential employee about their desired next role and career path. Many managers assume they know what employees want, and they are surprised when talented people leave without knowing that they were on the verge of receiving a promotion or additional responsibilities.***

Once the leader has gotten feedback on a high-potential employee’s preferences, the discussion should focus on the development that the employee needs to advance. This can be accomplished through on-the-job learning opportunities, such as assigning new responsibilities and shadowing the person currently in the role. Investing in external professional development is another solution to building new skillsets. Employees can be encouraged to take advantage of formal educational courses or industry association sessions, which ideally are paid for or subsidized by the employer.

Career coaches are an option when the high-potential employee has strong functional knowledge but is lacking soft skills. These might include communication, presentation skills, time management and the ability to appropriately delegate. Examples of skill gaps that can derail a promising career are management of staff, relationship building with customers, handling under performing subordinates, public speaking and presentations skills, time management, managing upward and delegating.

Another opportunity to keep high-potential employees engaged in an environment of acquisitions and mergers is to encourage future stars to get involved in leadership roles on the Boards of Directors of not-for-profit organizations. This has a dual benefit of enhancing the organization's brand in the local community and building the leadership skills of the individual. The not-for-profit organizations selected should have mission statements that resonate with causes that are not only important to employees, but also to their employers. For example, a company in building and construction could direct its future leaders toward Habitat for Humanity, and a healthcare organization could send them to organizations like the American Red Cross, CancerCare, or the Make-A-Wish Foundation.

> ***Other career-enrichening opportunities can be found within the current organization. These may include serving on a company committee that aligns with the employee's functional skillset, such as the Public Relations Committee for aspiring communications or marketing executives. Committees and councils may also be available for leaders in technology (IT), new product development (engineering), risk (legal / compliance), or sustainability (environmental health). If CHRO's find it difficult to attract new employees in a critical functional area, it may be time to form an employee-led group in that discipline.***

Ambitious employees recognize that getting visibility in front of the board of directors is a sign of their management's confidence in them, so another retention tactic is to allow them to make board presentations in their areas of expertise. Not only does the high-potential employee gain visibility with the board, but the board also gets a sense of the future talent of the organization. Skip-level meetings allow board members to observe firsthand the bench strength of the company.

By employing some of these suggestions, CEO's and CHRO's can increase the odds that they will be able to engage top talent and increase their job satisfaction, even within a consolidating industry. Moreover, the development of customized career-development programs that are aligned with high-potential employees' personal interests ensures that high-value talent will have the skills they need when they advance into roles of more responsibility.

> *Finally, behavioral science has shown that employees deliver superior results when they are working in areas that they are passionate about, so proactive career planning creates a win-win for both the high-caliber employee and the organization, especially during a period of industry consolidation.*

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Battalia Winston partner profile

Terence Gallagher joined Battalia Winston in 1991 and was promoted to EVP in 1994 and President in 1997. Terry's search career of more than 25 years includes serving as Northeast Region Executive Search Partner at KPMG.

Terry's primary focus has been in recruiting CEO's, Presidents, Division General Managers, CFO's, CIO's, Board Directors and all C Suite Executives for Fortune 500 as well as Middle Market companies and private equity firms as well as Partners, Practice Leaders and Rainmakers for consulting firms. Terry graduated from Duquesne University with a B.S. degree in Accounting and recently received the Distinguished Alumni Achievement Award. He served on the Americas Board for the Association of Executive Search Consulting Firms for seven years and the Advisory Committee for the National Association of Corporate Directors New Jersey

Recognized by **Business Week** as one of the World's Most influential executive search professionals, Terry is a thought leader regarding executive recruitment and retention, organizational effectiveness, management development and succession planning.

Terry serves on the Board of Directors for Provident Financial Services, ranked as one of the best 50 banks in the US by Forbes and is a member and Past Chairman of the Compensation Committee and a member of the Nominating / Governance Committee. (NYSE:PFS).