

EMPLOYEE RETENTION AND THE 9TH ROCK

by [Steve Brown](#)

We could not help but notice yesterday that poor Pluto is in danger of losing its status as a planet. It seems that by planetary standards, it's too small, too far away and just not spectacular enough to warrant continued inclusion in our solar system. Back in 1930, earth was all too happy, even ecstatic, to find this little guy. Without bright rings or fiery volcanoes, Pluto had little in the way of promotion. Sometimes, bank employees get the same treatment. How to hire, retain and motivate employees are a growing challenge as banking becomes more sophisticated requiring higher caliber employees is required. For independent banks, a major issue is employee retention. In a small organization, how do you keep employees sufficiently engaged given that there are limited advancement opportunities? We surveyed 5 banks that have been recognized in the field to ask them for their recommendations. Here is some of their guidance: 1) Eliminate policies and practices that block internal movement. Allow, and even encourage, employees to move between departments. Banks should show a clear preference for hiring from within. Giving employees a path to different avenues of the bank helped one bank reduce turnover to half of the industry average. 2) Maintain a strong commitment to training. Banks that have a defined training plan, even if is a series of outsourced workshops, have proven to have happier employees. One bank we talked to positions training as a "tool for employee development, either at our bank or at a competitor." This bank clearly uses training as a differentiator and when employees get recruited at other banks, they are disappointed at the potential bank's lack of training. It is better to have well trained employees and risk some attrition than to not train them and have them stay. 3) Create a strong mentoring culture; in fact, make it a perk to be named a mentor. Not only does it give recognition to the mentor, but this helps promote quality traits throughout the organization. Further, mentoring provides a "touchstone" for the new employee to latch onto further helping with retention. 4) Keep career development and performance appraisals separate in order to do a better job at both. Often times, these together, running the risk of confusing the message. Talk about career development in a separate setting to give it its full due. 5) Create alternatives to traditional career ladders. Small banks have limited upward mobility. One smart bank developed a program called "The Knowledge Resource." Through this program, employees with diverse skills go on "loan" to different departments (including board appointed positions) for short-term assignments. This allows employees greater recognition throughout the bank and gives additional training opportunities. Pluto the dog is warm and fuzzy, Pluto the planet, not so much. The larger and more bottom line oriented a bank is, the more it needs to focus on employees. If planet was better supported and mentored, we have little doubt that it would be in a much better stead. It all started when it was adopted into our system and named after the god of the underworld - how could it possibly succeed? Given that people are critical to any independent bank's success; shouldn't we give employees more support than that icy, non-planet?

CAPITAL - PERPETUAL PREFERRED

Filled up the trust preferred capital or don't have a holding company and need capital? BIG is looking to place \$150mm in non-cumulative perpetual preferred capital in banks between now and year-end. While this tier 1 of capital comes at a higher cost than trust preferred, it is still significantly cheaper than common equity and non-dilutive. Usually, perpetual preferred can make up to 20% of the capital structure and can be used to bolster the capital base at the bank level in order to support growth or

acquisitions. To receive our complete capital overview covering bridge financing, common equity placement, holding company loans, trust preferred and perpetual preferreds, contact us.

BANK NEWS

Acquisition

Park National (\$5.7B, OH) will acquire Anderson Bank (\$67mm, OH) for \$17.7mm in stock and cash, or 2.4x book value.

Acquisition

SouthCrest Financial (\$450mm, GA) will acquire Peachtree Bank (\$64mm, AL) for \$16.07mm in cash and stock

Citigroup

Announced the opening of 19 branches in NJ, rumored to be driven for the need of greater deposits.

Senior Loan Officer Survey

The July survey showed that lending standards (for the entire industry) on C&I lending eased and standards on commercial real estate tightened. However, for independent banks, lending standards largely remain unchanged in July for both categories.

Gift Cards

The OCC released guidance on disclosures and marketing issues related to gift cards. Suggestions include affixing a sticker to the card that discusses how to use it, terms, conditions and expiration.

Copyright 2021 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.