

## **Q1 2015 STATE OF THE MARKET FOR BANKING EXECUTIVE LEADERSHIP**

It's well documented that the competition for talent is fierce. Given the role we play for our clients, we can attest to this fact, and today we are seeing the greatest competition for talent in the last six years. With thin margins, banks are finding it hard to drive income growth, so they are trying to find ways to increase their loan to deposit ratio and fee income opportunities. This is forcing banks to look outside of their institution to recruit leadership to expand lending, and to build out fee generating business lines.

The candidate mindset has changed as well – the post-recession acquisition race has caused a shift in the way the candidates view the industry and their careers. No longer are candidates seeing roles as long-term opportunities, instead, executive leadership roles are seen as mid to short-term positions which are subject to a consolidating market. As such, candidates are operating from a more self-interested standpoint. Those banks which plan to grow and sell are luring talent away from other banks with high compensation packages and thus banks which cannot compete on compensation are exposed. Our Banking Practice Group has seen a tremendous increase in demand, and are partnering with our clients on a consultative basis to help them strategize their recruiting, compensation, succession, and retention plans.

### **MARKET TRENDS:**

- The power dynamic is shifting away from banks to employees.
- The strongest candidates with the best reputations are being sought out by banks and search firms thus giving executive-level candidates increasing options, making the competition between banks that much greater.
- Banks are working hard to retain their highest-performers and high dollar counteroffers are a formidable opponent to us and our clients.
- Banks are struggling to grow in a low rate environment so banks are seeking immediate increases in loan volume; and with minimal yields on treasury securities banks are also recruiting teams to grow fee income (SBA, Wealth Advisory, Mortgage, Specialty Lending).
- There is a shrinking pool of candidates with a leadership track record, accompanied by a style and values that match a specific institution.

### **HOW TO ADDRESS THESE TRENDS:**

- In the interview and hiring process banks need to operate with an increased sense of urgency.
- In order to attract and retain high performers, banks must build out a competitive compensation plan which rewards high performance, with measurable metrics against which employees can gauge their performance.
- In order to ensure longevity, banks must put into place an actionable succession plan and then execute against it by filling gaps at the level just below executive management in anticipation of poaching, attrition and retirement.
- Banks need to continue to focus on grooming talent internally and providing a roadmap for those identified as "rising stars."

*McDermott & Bull is a full-service executive search firm with a dedicated **Banking Practice** serving banks throughout the Western Region of the United States. The Firm's Banking Practice Group, led by **Rod McDermott** and **Brandon Biegenzahn**, partners with boards and senior leadership teams to align talent strategies with business strategies at the executive management level. Clientele include the likes of First Republic Bank, Bank of Marin, Pacific Mercantile, Union Bank, Bank of the Cascades, and ANZ Bank.*