The High Price of Talent

BY **LAURA ALIX**

The 2024 Compensation & Talent Survey reveals rising concerns around managing compensation costs, even as hiring pressures ease.

Key Findings

- **Senior bank executives and directors name managing compensation and benefits costs as their top compensation-related challenge in 2024.** Eighty-eight percent say compensation costs increased in fiscal year 2023, at a median of 7%.
- **Thirty-nine percent say that it was more difficult for their bank to hire and retain talent in 2023-24,** representing a marked decline from 56% who said the same last year.
- Forty percent say their current CEO will **retire or depart within five years.**
- **Fifty-nine percent believe their bank has a strong bench of talent to prepare for C-suite roles in the next five years.** More than half don't expect their bank to fill any C-suite roles in 2024-25.
- **Fifty-seven percent expect their bank to increase commercial lending staff in 2024.** Almost half say their institution has implemented incentives to encourage commercial lenders to bring in new deposit relationships.

Questions About Our Research?

Contact Bank Director's research team at research@bankdirector.com if you'd like to know more about BankDirector's surveys and other research initiatives.

Hiring pressures in the banking industry eased, but finding and keeping the right talent for your bank could cost you.

Bank leaders taking part in Bank Director's 2024 Compensation & Talent Survey, sponsored by Chartwell Partners, report less difficulty hiring and retaining talent compared with last year's results. But they also express increased concerns around managing compensation and benefits costs and report higher median increases in compensation expenses for fiscal year 2023.

Conducted in March and April 2024, the survey explores talent and compensation challenges, and gathers pay data for C-suite executives and boards of directors. This year's findings also suggest gaps in succession planning processes as 40% expect their CEO to depart in less than five years. A majority (83%) of survey respondents believe the talent level of their bank's current executive team is strong enough to achieve the bank's financial and strategic goals over the next five years, but a smaller percentage have identified who will lead the bank in that time.

The findings underscore the importance of identifying a succession candidate and sticking to a timeline, says J. Scott Petty, managing partner with Chartwell. If boards don't commit to a scheduled transition with a designated successor, "then you're at risk of losing your No. 2," he says. "CEO succession demand will remain high, and all qualified prospects are getting headhunter calls."

88%

report increased compensation costs in 2023.

7%

Median Compensation Increase

Costs Continue to Climb

Fifty-eight percent of survey respondents cite managing the costs of compensation and benefits as a top challenge in 2024, compared with 47% who said the same a year earlier. Tying compensation to performance also comes in as a significant challenge, at 41%.

For most (88%), compensation costs rose in 2023; those respondents report a median increase of 7%, with smaller banks experiencing substantially higher cost increases. A year earlier, respondents reported a median compensation increase of 5%, essentially across all asset bands.

Forty-five percent say headcount increased last year, while 30% say it remained stable. A quarter report a decrease in staffing. Among those who report a decrease in headcount, a majority say that their bank reduced staff in certain areas or chose not to replace staff following attrition, rather than losing staff to other businesses.

What are your top three compensation and talent challenges for 2024?

Top responses.

58% Managing compensation and benefits costs

41% Tying compensation to performance

39% Retaining key people

37% Offering competitive pay

28% Succession planning for the CEO and/or key executives

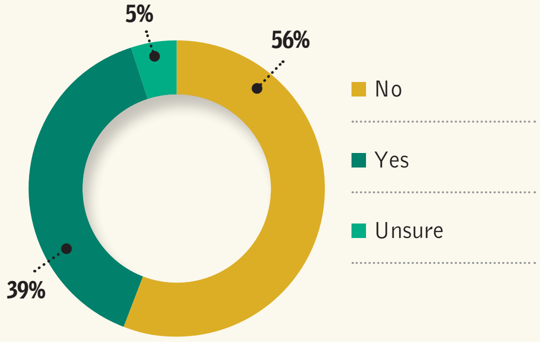
Hiring Pressures Fade — With a Catch

Survey respondents indicate diminished difficulty in hiring and retaining talent. Just 39% say it was harder to hire or keep workers in 2023-24, compared with 56% who said as much a year earlier.

Sean O'Neal, a partner with Chartwell, connects supply and demand imbalances to the rising compensation costs faced by most banks, as workers increasingly value higher wages and faster paths to development over loyalty to their employer. Banks that can afford to pay up for staff could have an easier time competing for talent but struggle to manage compensation costs and internal pay equity.

"People are becoming more career-focused than ever," he says. "I don't think that people are so enamored with working somewhere for 20 years as they once were. Leadership [would be] wise to determine areas in which existing employees could add value in new ways to the bank, [and] then invest in them and set them loose to do the work."

In 2023-24, has it been more difficult for your bank to attract and/or retain talent compared to previous years?



Filling in the Gaps

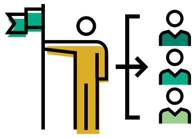
More than half of respondents believe their bank has a strong bench of talented leaders to prepare for C-suite roles over the next five years, while roughly a third are currently looking at external candidates to fill key C-suite needs.

Julie Bell, director, leadership advisory with Chartwell Partners, recommends that boards ask management to conduct an annual human capital inventory. Through that process, bank leaders can understand how employees have grown and identify development gaps.

"High performing organizations that have a deep understanding of their greatest asset, human capital, will win," she says. "Not understanding the human capital assets will put the organization at risk."

Over the next three years, three-quarters say their bank could look at external talent within their markets to address talent pipeline or succession planning gaps. Seventy percent indicate they could enhance internal talent development efforts.

59%



believe their bank has a strong bench of talented leaders to prepare for C-suite roles in the next five years.

What actions could your bank consider to address gaps in your bank's talent pipeline or the succession planning process in the next three years?

Top responses.

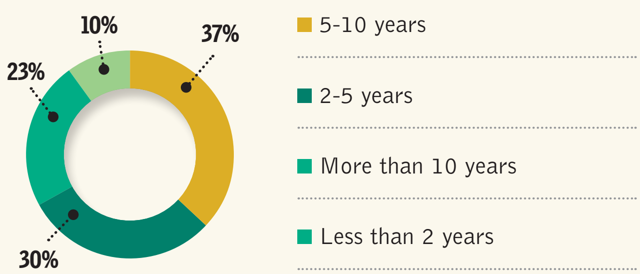
In Succession, Timing Is Everything

Forty percent expect their current CEO to retire or depart from the bank within five years, and another 37% estimate their CEO will leave or retire in five to 10 years. A little less than a quarter believe their CEO will remain with the bank for another decade or longer.

Thirty-nine percent of respondents have an idea of their board's timeline for CEO succession but have not yet identified any succession candidates. Another 29% say they have identified one or more candidates but do not have a timeline, and just 18% have identified both a successor and a timeline for succession.

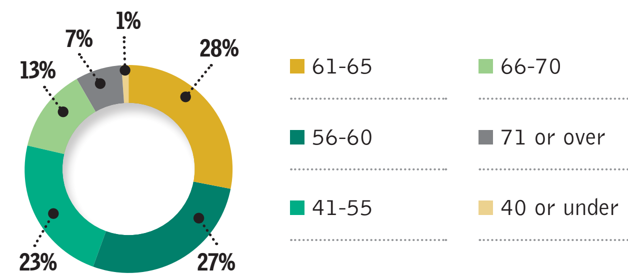
Of the 10% who expect their CEO to depart in less than two years, all indicate that their board has identified a CEO successor and established a timeline. The picture gets murkier for those who expect their CEO to leave in two to five years: Just 13% have identified at least one succession candidate, while 63% say they have a timeline but have yet to identify any succession candidates.

When do you expect your bank's CEO to depart or retire?



What is the age of your CEO?

Numbers don't add up to 100% due to rounding.



CEO Pay Snapshot

CEO pay rose across the board in this year's survey: Total CEO compensation, including cash bonuses, equity grants and benefits, rose 17% in fiscal year 2023 to $858,500. The median salary was $525,000.

This year's compensation data, which includes information from respondents and pay disclosed through proxy statements, reflects a higher proportion of publicly traded banks compared to the 2023 survey. Banks trading on the Nasdaq or New York Stock Exchange paid substantially higher CEO salaries than those that were privately held, mutual or trading over the counter.

CEO Compensation, FY 2023

Median values.

	Public (Nasdaq /NYSE)	Public (OTC)	Private	Mutual	Total
Salary	$750,000	$324,000	$300,000	$420,000	$525,000
Cash incentive (bonus)	$341,250	$75,840	$86,000	$127,500	$130,074
Equity grants	$824,940	$113,909	$64,000	$136,400	$478,314
Benefits/perks	$84,314	$28,254	$20,000	$36,575	$45,908
Total CEO compensation	$1,991,674	$539,642	$425,000	$640,000	$858,500

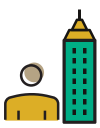
Talent Demands

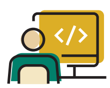
Fifty-seven percent of bank leaders expect their bank to increase staffing in commercial and business lending this year, followed by 37% who indicate technology and IT as near-term staffing needs. Twenty-seven percent indicate their bank will likely increase risk and compliance staffing.

This year, 21% of respondents expect their bank to increase cybersecurity staffing, up from 15% a year earlier. Banks over $1 billion of assets indicate a much greater likelihood of beefing up cybersecurity hiring.

In which areas do you expect your bank to increase staff in 2024?

Top responses.

57% 
Commercial lending

37% 
Technology/IT

27% 
Risk/compliance

21% 
Branch

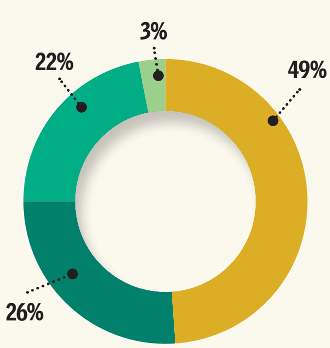
21% 
Cybersecurity

Leveraging Commercial Lenders

Bank Director's 2024 Risk Survey found competition for deposits to be a key concern earlier this year, which is also reflected in the 2024 Compensation & Talent Survey results. Almost half say their bank has implemented incentives for commercial bankers to bring in new deposits, up from 42% a year earlier. Another 22% say they're looking into those incentives, a level that remained stable compared to last year, while those who say their bank does not offer these incentives fell from 32% a year ago to 26% this year.

O'Neal has seen an uptick in treasury-related searches in recent years. "Every client is working to figure out their funding strategy. Community banks are seeing their core deposits threatened, which threatens the ability for banks to remain independent," he says. "Building a treasury management platform takes capital and time, but the right leader can build a team that helps create liquidity for the bank to get back into growth mode."

Has your bank implemented any new incentives to entice commercial bankers to bring in new deposit accounts?



- Yes
- No, we have not offered incentives
- No, but we're looking into it
- Unsure

About the Survey

Bank Director's 2024 Compensation & Talent Survey, sponsored by Chartwell Partners, includes feedback from 187 independent directors, chairs, CEOs, human resources officers and other executives of U.S. banks below $100 billion in assets. The survey was conducted in March and April 2024. Compensation data for fiscal year 2023 was also collected during this period from the proxy statements of 99 publicly traded banks.

Laura Alix is director of research at Bank Director.

ChartwellPartners

As seen in the 3rd Quarter 2024 issue of *Bank Director*