PUB. 11 2022 ISSUE 1

The CommunityBanker

OFFICIAL PUBLICATION OF THE VIRGINIA ASSOCIATION OF COMMUNITY BANKS

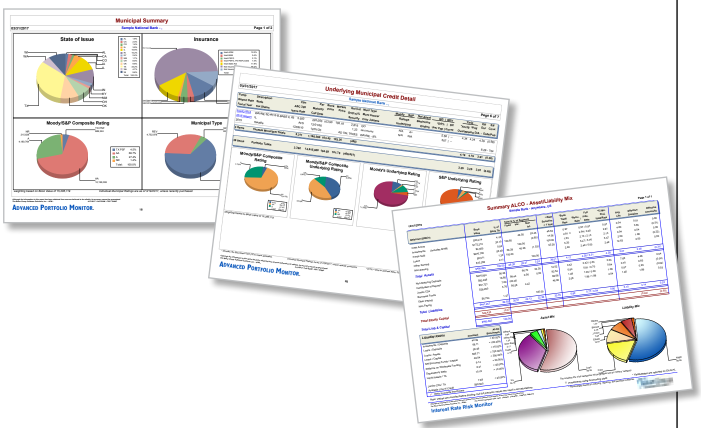
HOW AUTOMATION HELPS ACCOUNTS PAYABLE DEPARTMENTS MANAGE LABOR SHORTAGES, ATTRACT NEW HIRES, AND RETAIN WORKERS

PAGE 10

Six-Month Free Trial

As American financial institutions—along with the rest of the world—face unprecedented times, The Baker Group is ready with tools and services to help ***maximize the performance*** of your institution.

That's why we're offering new clients our Software Solutions* ***service package for a six-month free trial***. Not only will you have access to our latest market research and insight from our Financial Strategies Group, you'll be included in all of our webinars. There you'll hear the latest Information on the economy and how it could impact your institution and its investment portfolio.



To obtain the resources you need to maximize the performance of your financial institution, contact Ryan Hayhurst with our Financial Strategies Group at **800.937.2257**, or Ryan@GoBaker.com.

Baker's Software Solutions Service Package Includes:

Asset/Liability Analysis – Interest Rate Risk Monitor (IRRM®)

Your management team will find that The Baker Group's quarterly review of the loan and deposit information outlined in the Interest Rate Risk Monitor and Asset Liability Analysis is an effective tool in managing your risk and performance.

Bond Accounting – Baker Bond Accounting® (BBA)

The Baker Group will provide you with accurate, easy-to-read reports delivered electronically to you each month.

Investment Analysis – Advanced Portfolio Monitor (APM®)

The Advanced Portfolio Monitor is a key monthly report that we utilize to help you measure, monitor, and manage the overall risk and performance of your investments.

The BakerGroup

Member: FINRA and SIPC
www.GoBaker.com | 800.937.2257
Oklahoma City, OK | Austin, TX | Dallas, TX
Indianapolis, IN | Long Island, NY | Salt Lake City, UT | Springfield, IL

*The Baker Group LP is the sole authorized distributor for the products and services developed and provided by The Baker Group Software Solutions, Inc.

worried about

employee turnover?

embrace AP Automation

PA payment automation | **IA** invoice automation

paymerang™ | finance automation for the modern enterprise

CONTENTS

1890

Travelers begins to offer Financial Institutions coverage

1964

Travelers becomes one of the first domestic markets to write Directors & Officers Liability insurance

1999

Travelers brings its Identity Fraud Expense Reimbursement coverage to market

2011

Travelers CyberRisk coverage is introduced to the market

2021

Travelers distributes $4.3 million to ICBA members participating in the policyholder dividend program

Banking changes. Our commitment to you never does.

Throughout our long history, we've stayed focused on keeping community banks on the cutting edge. We do this with industry-leading specialists, expertise and offerings – all backed with local banking knowledge.

Learn more at **travelers.com/business-insurance/financial-institutions**

TRAVELERS

It's better under the umbrella®

travelers.com

Travelers Casualty and Surety Company of America and its property casualty affiliates. One Tower Square, Hartford, CT 06183

Chairman's Message

By Dennis Dysart, VACB Chairman
First Bank, Strasburg

Collaboration — Coming to a Town Near You

We are truly excited about member engagement in 2022. Your Executive Committee and Board have devoted much of our time in recent meetings to the topic. In that regard, we are hosting **regional member meetings** beginning in March that will continue into the second quarter. Why host member meetings? We believe it is a great opportunity to ensure the strategic and operating priorities of your Association are aligned with your bank's needs.

These 90-minute meetings should be viewed as an investment in your bank, your Association, and the future of community banking. No vendors, no sales, just quality communication and collaboration between bankers. Steve will provide a brief overview of the Association's priorities, including federal advocacy, member education and — certainly — collaboration.

However, we are most interested in your input during these meetings. For example:

- Could we do more (or less) in a certain area?
- Might we be missing a key support role?
- Should we connect community bankers in the Commonwealth with other bankers in surrounding states/mid-Atlantic? Maybe form some peer group exchanges based upon asset size?
- How can we provide your bank assistance with key operating challenges and opportunities?

I encourage you to reflect on the relationship between your bank and the Association. Most importantly, we will try to make the meetings as convenient and productive as possible. I hope you will join me, Steve, and other members for a meeting near you.

In addition to providing an overview of the regional member meetings, I also wanted to address **member education.** We are well aware of the numerous outlets and resources your bank has for education and that some may view it as a commodity. While the topics, subject material and delivery options may be similar, there is one distinct difference. **When your bank**

selects a VACB education offering, you are providing financial support to the Association. As bankers, we tell our customers that banking with our community bank is an investment in the community, a catalyst for economic growth, local employment, and support for local nonprofits. I might suggest a similar theme for selecting VACB for your education resources. It is an investment in community banking and your Association.

Over the coming weeks and months, Steve and Katherine may be asking for your further support in leveraging the VACB offerings. Thanks for your consideration.

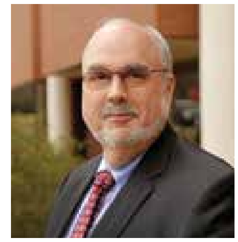
In closing, we remain energized about 2022. I look forward to seeing you at an upcoming regional member meeting and hopefully at the ICBA Capitol Summit in Washington, DC, scheduled for May 1-4, 2022.

Best wishes for continued success at your bank. Thanks for your investment and confidence.

Dennis

President's Message

By Steve Yeakel, CAE
VACB President and CEO



Advocacy 101 — Really?

Be assured that if you aren't telling your story, someone else is making one up for you. Or worse yet, your story is simply untold. This leads to bad outcomes. Remember the old adage: If you're not at the table, you're on the menu.

I'm daring to write one more column on the power of advocacy and hope you'll consider using these ideas to further engage "your troops" in the battles that lay ahead for us.

Maybe I should apologize. But just when I think our members have had enough, I'll hear someone ask, "Why do we even do advocacy?"

So let's start at the simplest level. We advocate because our advocacy can change things. It can make the lives of our customers better. It can make our communities better. It can make our banks better. We can make positive changes. We can stop actions and policies that are harmful. It's the American Way. The Virginia Way. And advocacy is what matters most to almost all of our members.

Community bankers are most successful when they get the chance to tell their stories. Advocacy is all about telling our stories to people who can do something to help us make our stories better.

We are surrounded by advocates of all kinds, telling their stories in Washington, D.C., Richmond, and elsewhere. Some are powerful; some are not. Be assured that if you aren't telling your story, someone else is making one up for you. Or worse yet, your story is simply untold. This leads to bad outcomes. Remember the old adage: If you're not at the table, you're on the menu.

Every person reading this article will have the chance to be more involved this year in making a difference for your community bank and community banks across the Commonwealth. We are actively working to build a team of advocates in every member bank to expand our efforts. Be thinking about which of your team members can best assist you in your efforts, and respond when we call on you to help strengthen the VACB team.

Beating the CECL Deadline — Without Analysis Paralysis

By Shawn O'Brien, President, QwickRate®

> Methodologies such as loss rate, remaining life, migration or vintages are less complicated but generally less precise. Likewise, other methodologies (i.e., probability of default, discounted cash flows) are more precise but more difficult to develop.

After years of anticipating current expected credit losses (CECL), January 2023 is within sight. And the compliance deadline won't be moving.

For many banks, the biggest challenge is simply adopting an unfamiliar process for calculating reserves. Fortunately, regulators have made strides toward minimizing possible disruptions. In fact, they've addressed many concerns head-on.

Where should banks start?

Regulators believe a bank's CECL solution should equal the sophistication of its loan portfolio. So they expect different banks to use different solutions to calculate reserves. For banks with fewer losses, overly engineered solutions add no value — one reason solutions based on call report data are popular.

Process complexity can vary greatly among methodologies. When evaluating solutions, don't mistake precision for accuracy. No current or past losses

to work with? Future loss forecasts more often come from qualitative adjustments than from quantitative adjustments.

Methodologies such as loss rate, remaining life, migration or vintages are less complicated but generally less precise. Likewise, other methodologies (i.e., probability of default, discounted cash flows) are more precise but more difficult to develop. Is it worth the extra work? Many banks say no, preferring to continue using their Q factors to support or defend CECL as they did for their allowance for loan and lease losses (ALLL) reserve.

Practical assistance is available

Among the varying options for CECL compliance is a solution developed with community banks and their challenges in mind. **QwickAnalytics® CECLSolver™ is easy to use, and getting started is simple.**

The tool utilizes a weighted average remaining maturity (WARM) focus to automatically display historical losses over WARM periods. This eliminates the need to compile past information, enabling quick, easy analysis of different loss scenarios. CECLSolver also displays loss histories of selected peer groups (UPBR/state/custom) for identical periods. We'll help you with WARM calculations, whether they're performed by your team (if data is available) or by ours.

We expect that banks will continue to address qualitative factors. Regulatory statements regarding assessing the collectability of cash flows have caused many banks to stress — and there's no need. We believe banks should continue to utilize qualitative adjustments currently conducted as part of their incurred loss calculation. They've been doing this successfully for years. Furthermore, you and your regulators are familiar with and believe in the process.

As for the CECL "forecasting" element, bankers should focus on what might cause future portfolio losses and diminish their ability to collect on loans. Document and quantify your answers, again not mistaking precision for accuracy. Emphasize being directionally accurate, considering your portfolio plus possible scenarios. If your mortgage portfolio is significant, consider housing prices, unemployment levels, etc. Understand how they're trending and the potential negative effect of reversals. We can help you update current qualitative adjustments to reflect forward-looking perspectives.

Designed for community banks like yours

CECLSolver provides banks with a portfolio-level solution based on call report information — plus the ability to perform more complex loan-level analysis as required. Our approach is to start, monitor, and, if necessary, adjust.

CECL compliance is as complicated as you want to make it — but delaying the inevitable isn't the wisest strategy. Schedule a demo today to see your historical numbers and how CECLSolver can help.

Shawn O'Brien is president of QwickRate, providing practical and affordable solutions for community banks for more than 30 years. An ICBA Preferred Service Provider.

The NSF Dilemma

We knew it couldn't continue, but we kept hoping. The NSF drug that propped up the profitability of so many retail franchises for decades is about to expire. For ages, the product itself has been in high demand by specific customer segments. It is, per se, a product that meets the needs of those customers. The problems arose not from the product itself but a combination of two factors:

- Banks using NSF fees, features and functionality that were price elastic to improve profitability and increase customer usage of the product; and
- Customers found that incurring NSF fees was less expensive than other ways of borrowing short-term funds; or, for another high-usage segment, the product was convenient at any price.

As customer demand rose, so did the fees, and the behind-the-scenes machinations to incur them. A consulting cottage industry sprouted, helping banks maximize fees through "tweaking the matrix" (in the best interest of high-usage customers, of course). This combination was the precursor to the end of the NSF fee.

Online banks, which enjoy a fundamentally different cost structure, were looking for ways to gather deposits. One of them realized that the NSF fee could become an inhibitor for SOME prospects to open an account with the bank. In a stroke of wisdom, that bank announced the elimination of NSF fees. It was an easy decision since these fees were not very significant in their operating model.

This change was waived off as an aberration by many traditional banks, where NSF fees are a major component of retail profitability. Those banks that invested heavily in branches and other complex retail services found these fees central to funding R&D initiatives in the retail space, as well as improving that line-of-business performance during nearly a decade of exceptionally low rates. And then came Chase … and PNC … and Frost …

Online banks, which enjoy a fundamentally different cost structure, were looking for ways to gather deposits. One of them realized that the NSF fee could become an inhibitor for SOME prospects to open an account with the bank. In a stroke of wisdom, that bank announced the elimination of NSF fees. It was an easy decision since these fees were not very significant in their operating model.

The dilemma is clear: Should we give up NSF fees in the interim period until they fully sunset, or should we bite the bullet now? Will tweaking our fee structure — from raising the de minimis amount per transaction or balance to eliminating the continuous overdraft fees — help us delay the overall elimination of the product/fee? Or should we eliminate the fees altogether?

Here are all the fee elements you must consider:

- Paid overdraft fee
- Returned overdraft fee
- Grace period timing
- Balance de minimis
- Transaction de minimis
- Max overdraft fee per day
- Extended overdraft fee

Two other tools are available to all banks as a part of this dilemma and can be turned into an opportunity:

- Offering bank on product
- Posting payroll sometime before settlement

Interestingly, only a few banks seem to have taken a strategic view of the situation. Most banks, including Bank of America and Wells Fargo, opted for making minor changes to their NSF fee structure, which, while coasting the bank a meaningful amount in fee reduction, doesn't amount to the full elimination of the product.

Others, most notably Chase and Frost, developed a more strategic approach to making meaningful revisions in their fee structure. There is much to learn from their approach.

The way I see it, the NSF income stream is doomed. And yet, some customers truly value the product and actively, by choice, prefer to consume it. A customer-centric organization can develop an approach that gives customers an easy way to reduce their insufficient funds' fees without eliminating that option altogether. Both Frost and Chase crafted a program where any customer can enjoy a meaningful "grace amount" (up to $100), a meaningful "grace period," and even credit for direct deposit funds BEFORE they hit the bank, thereby reducing the "end of the pay period" cash pressure for those customers who avail themselves the opportunity. The price the customer pays for this option is the elusive direct deposit, coupled with eminently doable digital requirements. The price the bank pays for this option is a huge reduction in NSF incidents, and therefore income, among the customers who opt for the new approach.

The way I see it, you have clear choices:

- Tweak your fee structure to reduce overall fees but retain the product generally intact; and
- Make meaningful changes in your program that will require meaningful changes in customers' behavior (and in their best interest) and will meaningfully reduce the bank's NSF income.

The second option trades off current, short-term revenue for longer, more strategic, core customer conversion and income streams. It requires vision, the recognition of the key importance retail and small business depositors play in overall bank funding and franchise value, and a cohesive approach to the entire menu of NSF fees available to you.

It should be clear which option I'd advocate for!

Anat Bird is the President and Chief Executive Officer of SCB Forums, LTD, the company she founded in 1994. SCB Forums arranges and facilitates peer group meetings for bank CEOs. The company has multiple forums scheduled for 2022. In addition, SCB Forums offers SCBenchmarks, a benchmarking service for retail, commercial and wealth management banking sales practices and productivity.

How Automation Helps Accounts Payable Departments Manage Labor Shortages, Attract New Hires, and Retain Workers

By Nasser Chanda, CEO Paymerang

Hiring difficulties are a big problem for Accounts Payable (AP) departments. Higher wages, fat signing bonuses, staff training and other enticements only go so far with job seekers and employees. The key to attracting and retaining top talent is to digitally transform the AP function into a more rewarding and strategic role, where staff has the automated, personalized tools needed to be productive anywhere.

It's no secret that a massive labor shortage is gripping Corporate America. Workers are quitting their jobs to find better working conditions, more fulfilling work, or higher pay.

The ripple effect on AP is massive. AP leaders are left grappling with how to do more with less, forcing staff to work longer hours — all while managing unrelenting pressure to reduce overhead and providing the business with insights to navigate an uncertain economy. AP leaders need to act fast and address the situation head-on. Staff turnover can contribute to a drop in productivity, more errors, late payments, and missed early payment discounts. Suppliers may become frustrated by slower responses to their inquiries about the status of payments. And there is a greater risk of fraudulent transactions slipping through without seasoned employees to catch them.

Most of the typical AP practitioner's day is wasted on manual, repetitive tasks such as keying invoice data, pushing paper, fixing typos and other mistakes, chasing down information, and responding to calls and emails from suppliers and stakeholders about the status of invoices and payments. All the while, AP professionals must manage dozens of business rules, best practices, auditor guidelines and corporate standards for processing invoices and making payments to suppliers. In fact, the typical AP manager spends more of their workday on transaction processing than on the managerial tasks they were hired to perform — things like hiring and upskilling employees. All the time AP teams spend on manual, repetitive tasks is time they can't spend on fulfilling higher-value tasks such as analyzing data and collaborating with stakeholders.

Automation eliminates the manual, repetitive tasks that bog AP staff down. Automating repetitive and rules-based work can reduce employee burnout and turnover. And automation enables AP departments to efficiently scale their operations without hiring and training additional staff.

One of the biggest misperceptions about AP automation is that many workers will be left behind by the technology — an understandable fear when job seekers are in short supply. But that couldn't be further from the truth. Modern AP automation solutions include online training, intuitive interfaces, configurable workflows, automated work queues, and machine-assisted decision-making that make it easy for workers with different skills and knowledge to get up and running fast and perform their jobs well. By providing employees with digital tools that make it easier for them to do their jobs, AP departments are better positioned to retain staff and cultivate a greater breadth of job candidates.

Employee turnover is inevitable. But making AP a "better job" through automation can stem the tide of productive, loyal employees heading for the door, solidifying your workforce from within.

To learn more about AP automation, visit paymerang.com.

Discover a Better Way to Manage Information Security & Compliance

ESTABLISH GOOD PROCESSES

FILL IN THE GAPS

REPORT CONFIDENTLY

We believe YOU have what it takes to manage information security and regulatory compliance.

With the right tool, you can do it fast.

Tandem is a cybersecurity and compliance platform designed specifically to help organizations improve their information security, stay in compliance, and lower overhead costs.

- Audit Management
- Business Continuity Planning
- Compliance Management
- Cybersecurity
- Identity Theft Prevention
- Incident Management
- Internet Banking Security
- Phishing
- Policies
- Risk Assessment
- Social Media Management
- Vendor Management

Watch a demo:
tandem.app/va-demo

Tandem

Tandem is a subsidiary of CoNetrix, a family of technology companies.

Virginia Society of Association Executives Presents 2021 Award of Excellence to VACB's CEO

Steve with son-in-law Andrew, daughter Katherine, wife Beth and daughter Sarah.

Steve with previous award winner and colleague Scot McRoberts, Executive Director, Virginia Council of CEOS

Steve Yeakel, CAE, VACB President & CEO, received the 2021 CEO Award of Excellence from the Virginia Society of Association Executives.

The award is given annually to an outstanding chief staff executive in recognition of their leadership and achievement. Award winners are nominated by their peers and announced during the annual VSAE Awards Luncheon every December in Richmond.

Among those Steve acknowledged in accepting the award, he thanked the VACB staff and "the community bankers across Virginia that we work with every day." He also noted the close bond between VACB and ICBA staff. He recognized that "our bankers' success depends on building and nourishing interpersonal relationships, and they bring that skill, almost without effort, into our work together — especially in the leadership of the association."

Most of Steve's immediate family was on hand to share the honor with him. His son, Joe, was unable to attend but did send a contribution in his stead to VSAE and the Virginia Leukemia & Lymphoma Society, the featured charity at this year's event.

Also announced at the luncheon were the recipients of the Association Staff Award of Excellence (Carter Lyons) and the Associate Member Award of Excellence (Randy Cummins). More information about the award and the Virginia Society of Association Executives is available at vsae.org/awards-of-excellence.

Congratulations, Steve!


yhb
CPAs & Consultants
WE KNOW
COMMUNITY
BANKING
Internal & External Audit | IT Controls & Governance | Tax Services
YHBcpa.com


Visit us online:
at vacb.org


THE
COUNTS
Realty & Auction Group
Call us for your
Auction & Appraisal
needs.
434-525-2991
www.countsauction.com
828 Main St, 15th Floor Lynchburg VA 24504

Virginia General Assembly Honors the Life of Pat Satterfield with Memorial Resolution

Present at the reading of Pat's Resolution:
Front Row: Watts & Linda Steger, Steve Yeakel, Bruce Whitehurst
Back Row: Pam & Pierce Stone, Kelli Mallinger, Katharine Garner

The Virginia House of Delegates paid tribute to former longtime VACB leader Pat Satterfield with a memorial resolution presented and adopted on the floor of the House in early February. HR 18 — Celebrating the life of Patricia Goode Satterfield — was drafted by VACB and carried by Del. Terry Austin, who represents the House district in which Pat's family lived during much of her young life.

A few longtime friends of Pat's were present in the House Gallery to observe the event. When recognized by the Speaker, Del. Austin rose, welcomed the group, and paid brief tribute to Pat's many contributions to community banking and the Commonwealth of Virginia. The full House rose in approval of the resolution, and agreed to adjourn later that day in Pat's memory.

Once VACB receives its copy of the resolution from the General Assembly, it will be displayed in our training center which will soon be renamed in Pat's honor.

When recognized by the Speaker, Del. Austin rose, welcomed the group, and paid brief tribute to Pat's many contributions to community banking and the Commonwealth of Virginia.

VACB & WILLIAMS MULLEN 22ND ANNUAL GOLF TOURNAMENT

MAY 9, 2022

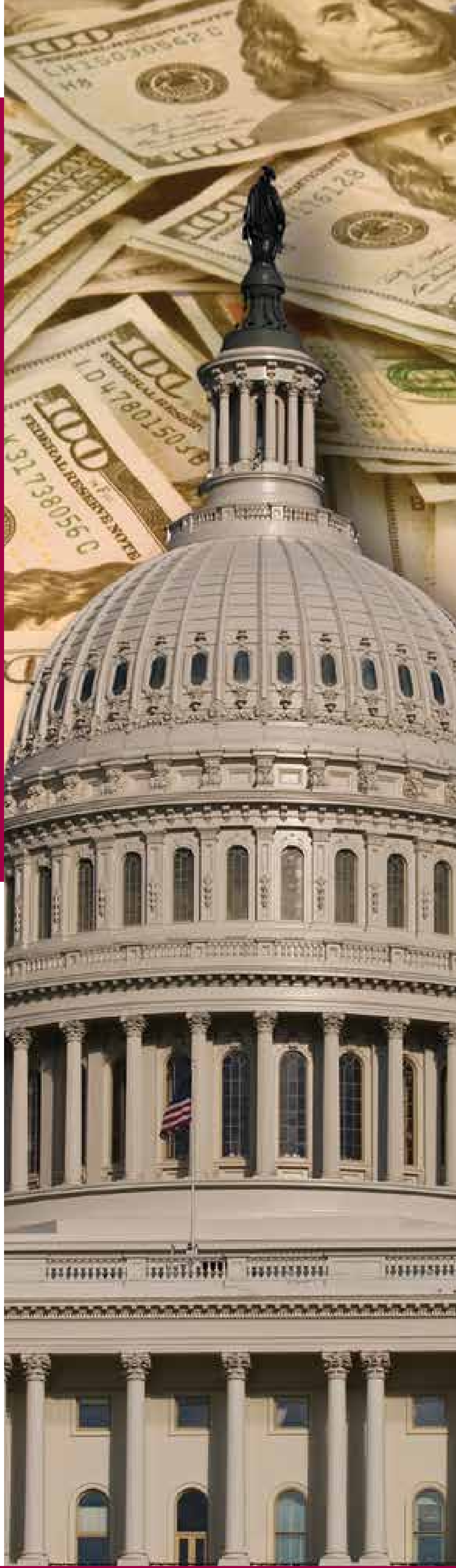
Who: VACB Members

Where: Spring Creek Golf Club

When: Shotgun Start at 10:30 am

www.vacb.org

The Fed's Balancing Act for 2022



There can be no question that the Fed is right to accelerate the "tapering" and stop pumping liquidity into an over-liquified banking system. In their zest to prop up the economy to when COVID was new, they characteristically overdid the job, creating way too much cheap money, distorting financial markets, and fueling asset price bubbles in speculative assets that pose serious risks going forward.

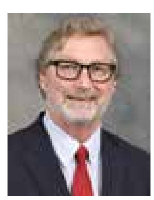
On the first trading day of 2022, the U.S. 10-year Treasury Note yield jumped above 1.60%, then traded up another 10bps in the two subsequent sessions. That was a 35bps increase in two weeks and aligned with a similar move higher for market measures of inflation expectations. The bond market hadn't seen a worse start to a year since 2009. It seems the market is entering the new year with the same concerns and uncertainty that plagued it for most of 2021, but with greater urgency. We've seen this movie before, though, and it's clear that policymakers and investors alike need to carefully assess the strength and staying power of an inflation environment that's unusual but not so transitory.

Typically, an inflationary impulse arises late in an economic cycle and is driven by an overheated economy where everything is maxed out and hitting on all cylinders, and strong demand is pulling up the general price level. That is not really what is happening now. Instead, we're dealing with "supply shock" inflation, where COVID-induced shutdowns produce bottlenecks and sclerotic trade flows. Dockworkers, truck drivers, processing personnel and other key points in the supply chain are working with reduced staffing and capacity, causing ripple effects throughout the system. So, are rate hikes and a tighter monetary policy the right medicine for "supply shock" inflation as is normally the case with "demand-pull" inflation? Or might a higher cost of borrowing just exacerbate the supply chain disruptions?

Former Treasury Secretary Lawrence Summers recently warned of a trying period for the U.S. economy in coming years with a risk of recession followed by "stagnation." He fears that "we are already reaching a point where it will be challenging to reduce inflation without giving rise to recession." Fed decision-makers are all too aware that if they move too aggressively and inflation really is just a matter of temporary supply chain problems, they run the risk of creating recession to little purpose. The Fed needs to go slow if the inflation trend is truly benign. But if it has deeper, more fundamental roots, too gradual a policy would allow inflationary psychology to become embedded in the economy, risking a wage-price spiral, pushing households and firms to get ahead of assumed cost increases and resort to stockpiling. That's the Summers worst-case scenario: a return to 1979.

There can be no question that the Fed is right to accelerate the "tapering" and stop pumping liquidity into an over-liquified banking system. In their zest to prop up the economy to when COVID was new, they characteristically overdid the job, creating way too much cheap money, distorting financial markets, and fueling asset price bubbles in speculative assets that pose serious risks going forward. The quantitative ease needs to stop. That's the easy part of the Fed's task. The hard part is subsequently determining when and how fast to raise rates.

The flattening yield curve reflects the dangerous waters the Fed must navigate. Short-term yields have risen commensurate with the expectation of multiple rate hikes. All members of the Federal Open Market Committee (FOMC) now see at least one, and some see as many as four hikes in 2022. Longer-term yields, though, have behaved differently. Despite the new year's jump, the 10-year yield remains below its March 2021 high of 1.75%. That may change, of course, but the fact that yields in the long end have moved so slowly up to this point has allowed the yield curve to flatten and belies genuine concern about growth going forward. The Fed is indeed walking a tightrope. Let's hope they're able to keep their balance.



Jeffrey F. Caughron is Chairman of the Board with The Baker Group. He has worked in financial markets and the securities industry since 1985, always with an emphasis on banking, investments and interest rate risk management. You can contact him at 800-937-2257 or jcaughron@GoBaker.com.

Recruitment Challenges and Financial Services

Even though open jobs are expected to increase 10% by 2026, 76% of accountancy and finance employers say their biggest challenge is not having enough qualified applicants. The need for employees with the right technical skills and managers who know how to deal effectively with change has never been higher.

Part of the problem is that financial organizations are going digital. They have plenty of work to do updating legacy systems, helping company operations be more effective and improving customer experiences. Digital transformations require innovation and training in many areas.

Financial organizations aren't the only ones looking for technical talent. Most industries are looking for employees with a combination of digital and financial skills, which can be hard to find.

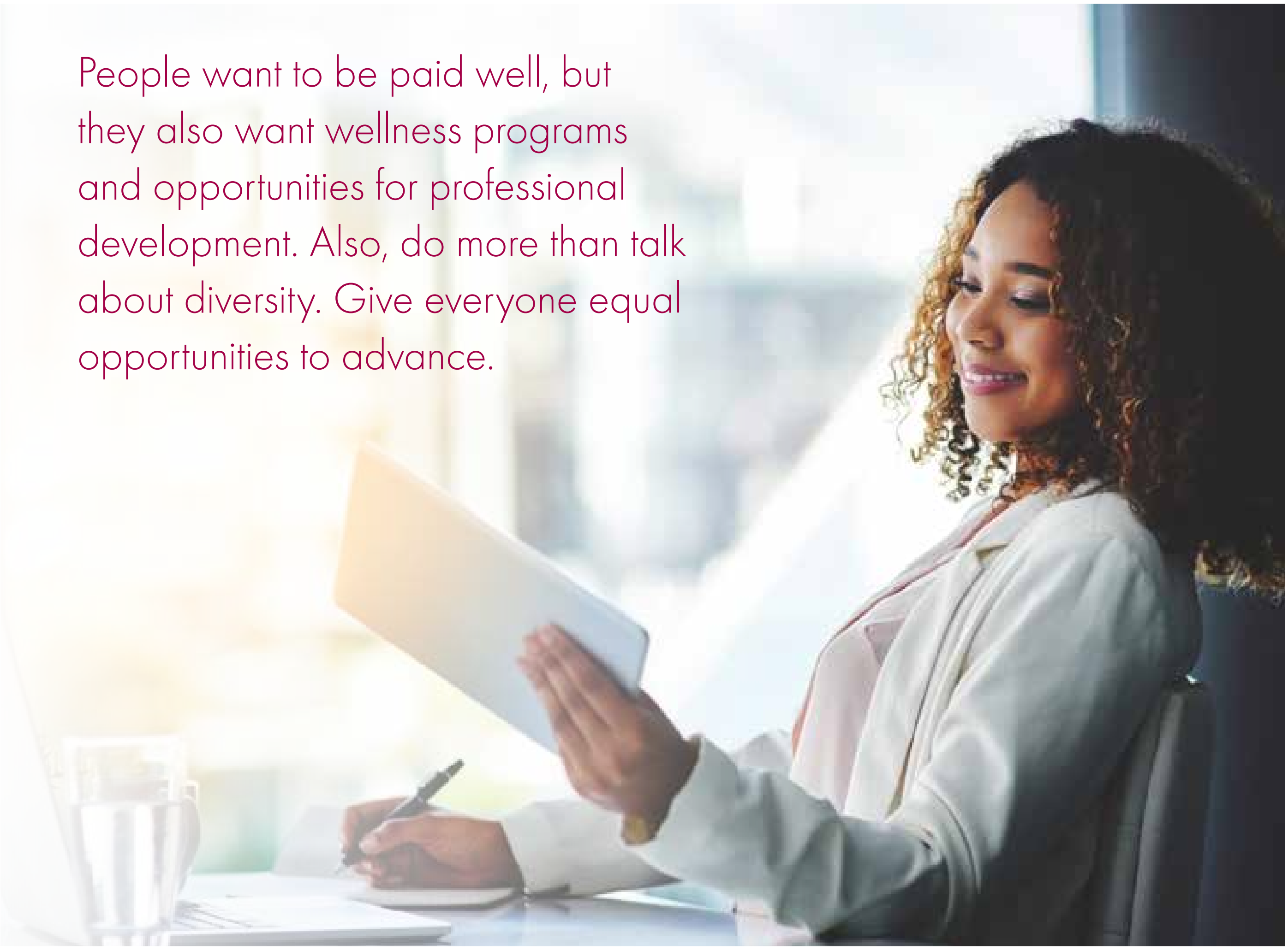
To attract and retain talent, the most effective strategy is to keep as many good employees as possible, so start by developing a retention program for your best employees.

The first step in finding a solution is to quantify the problem and address the main reasons for the current recruitment challenges.

There are two problems in finding employees with the right skills. First, economic downturns often cause students to pursue something other than a finance career. Second, digital technology has created new finance roles. Instead of only looking for people who are well-versed in finance, organizations are now looking for people who have a background in data science, artificial intelligence or software.

Another reason for the employee shortage is the Great Recession and the years after it ended. Those were low economic years. Many people left the financial services industry and went to work somewhere else. Those people have probably advanced by now to management positions in other industries, but they've left a gap behind. The industry has fewer professionals in management than would have been the case without the severe downturn.

Continued on page 20



People want to be paid well, but they also want wellness programs and opportunities for professional development. Also, do more than talk about diversity. Give everyone equal opportunities to advance.

Continued from page 19

Finally, attitude differences between generations have an effect. Only 10% of millennials hired to work in the financial services industry intend to make a career of it. Most of them plan to gain a little experience and move on.

To attract and retain talent, the most effective strategy is to keep as many good employees as possible, so start by developing a retention program for your best employees. They might rethink leaving if you give them professional development opportunities. Since replacement alone costs an average of $4,129, the cost of losing people adds up.

The next step is to enlarge the hiring pool: advertise on digital platforms, have a referral program, diversify your hiring practices and stay in touch with former employees who might return someday or send a likely candidate your way.

Finally, look at recruitment from a marketing perspective and consider what your company offers potential employees. Build a strong brand that will help you market your company to them.

Employees want to work for organizations that share their values, in part because they spend so much time working. Also, there isn't always a clear distinction between work and leisure. How serious are employees about working for a company whose company culture is attractive? It is a big enough issue that 70% of all professionals will work for less money if a company has values that match their own. That percentage is skewed by age. Only 9% of boomers would take a pay cut, but 86% of millennials would.

People want to be paid well, but they also want wellness programs and opportunities for professional development. Also, do more than talk about diversity. Give everyone equal opportunities to advance. Finally, choose benefits thoughtfully: if employees can have either a game room at work or time off during holidays, most employees want time off.

Potential employees have the advantage when the market is tight. As long as that's the case, you will probably have long negotiations about salary and benefits, but remember that intangible benefits outweigh money once the money reaches a certain level. That fact can be your secret weapon.


ARE YOU READY FOR GROWTH?
ADVERTISE IN THIS MAGAZINE TO
ROCKET YOUR BUSINESS FORWARD.
THE newsLINK group
727.475.9827 | 855.747.4003
kris@thenewslinkgroup.com

The CommunityBanker

Virginia Association of Community Banks
7204 Glen Forest Drive, Suite 101
Richmond, VA 23226

This magazine is designed and published by The newsLINK Group, LLC | 1.855.747.4003

ONE LAST THING ...

Did you know that you can enjoy your association news anytime, anywhere?

The new online article build-outs allow you to:

- Stay up to date with the latest association news
- Share your favorite articles to social channels
- Email articles to friends or colleagues

There is still a flipping book for those of you who prefer swiping and a downloadable PDF.

Check it out!

Scan the QR code or visit:
vacb-community-banker.
thenewslinkgroup.org