Bankers Exiting. Who's Entering?
by Charles B. Wendel

There is an undeniable trend occurring in the banking industry. More experienced bankers are opting out of banks to join non-bank Fintechs, technology firms, credit unions, and other escape pods. At the same time banks are challenged to attract and retain top quality, innovative young men and women. A brain drain may be occurring at the same time as many job candidates look elsewhere.

How did this happen, and, more important, how can senior management and BODs address this issue?

The departures of good managers and demonstrated revenue producers has been occurring for multiple reasons, among them:

- *Increased bureaucracy within banks*. Rules, rule rules. Checkers checking checkers. The regulatory environment may demand slow decision making, but as one banker at a super-regional said his bank was "an innovation killing machine."

- *Following the "shiny new penny*." Banks are constantly shifting their priorities and introducing new consultant-led initiatives that distract management from executing a consistent strategy. The now receding ESG wave is the most recent example of this phenomenon.

- *The power of COBs vs LOBs*. Hand-in-hand with bureaucracy has been the rise of support personnel. Line bankers were once demi-gods (and at a few top performing banks they still are). In many cases, however, people who generate no revenue (costs of business) create hurdles for and give requirements to line of business personnel, often showing a condescending attitude to the line people who generate their salaries.

- *Increased stability of non-bank players*. Some Fintechs have now been around for ten years or more. They are not flashes in the pan but instead have proven track records and deep pockets backing them. Many of them remain in an expansion mode while banks are looking at reducing costs in light of portfolio and growth issues.

- *Compensation upside*. Many non-banks offer significant equity upsides to employees. Bankers who generate strong income for their banks have long been frustrated by the weak linkage between performance and their personal income. Those who have some savings and self-confidence figure they should give this opportunity a shot.

And the list goes on. Managements that minimize bureaucracies, prize revenue generators, focus on a defined strategy, and pay for performance have a much better chance of retaining top people.

As for new talent, it is fair to say that recent grads have expectations that may be unlike that of any other generation:

- They proclaim the importance of life/work balance with life always winning out
- Many have received more coddling throughout their lives that the rarest of orchids

- Too many have become comfortable with pandemic induced work-at-home and "loose" working hours (and very casual clothing)
- The concept of loyalty means as little to them as it does to their employers, but at least they are honest about it
- The best and the brightest see their current employer as a learning opportunity and a step to their next employer
- They get bored easily and to their credit refuse to put up with the BS that many of us put up with during our careers, in particular passive/aggressive bosses
- If they lose or leave their jobs, they know their parents will act as a backstop for them

No bright 22–25-year-old that I know has any interest in a corporate career. And commercial banking, a favored occupation in the last century when I received my MBA, has fallen in prestige for top tier candidates. Bank management may say they don't need overeducated elites, but in fact they do need some of them to provide intellectual leadership and challenge outdated approaches.

But what worked for me as an MBA joining the once top tier Citibank won't work for the current generation. Consulting firms expect most of their hires to leave and go elsewhere. But much of their business (look at McKinsey) comes from alumni who learned from and valued their consulting years. Perhaps banks should consider a model like that.

Traditional approaches for keeping good employees and attracting others are no longer viable. Management ignores this change at its peril…but most banks will do exactly that.

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