Even small banks have to get creative to find IT talent

By **Ken McCarthy**

Intense competition for IT posts is forcing small banks to re-examine their hiring practices.

Community banks tend to have an aversion to hiring professionals from outside the banking industry, executive recruiters say. While market dynamics are starting to shift that thinking, some community banks continue to balk at hiring people that lack industry experience.

Those that remain reluctant could face huge challenges in the future.

"Banks need to start thinking outside the box if they want to remain competitive — or even stay in business," said Bruce Kershner, president of Kershner & Co., an executive search firm focused on financial institutions.

Over the last five years, banks hired by the executive search firm Smith & Wilkinson have filled about 80% of their senior IT posts with candidates that had bank or credit union experience. Still, more clients are open to hiring candidates from outside of banking to fill chief information officer and chief technology officer positions, said Carll Wilkinson, a managing partner at the firm.

What to consider when hiring IT talent

- Be open to filling nonexecutive posts with outsiders

- Realize examiners prefer people who can talk about tech

- Look at what other industries are paying candidates

- Understand that smart, driven people can catch on quickly

Source: Executive recruiters

"Whether this conversation ever extends into actual hires, only time will tell," Wilkinson said. "I would strongly encourage our clients to be realistic when industry experience is a nice to have versus a need to have."

Wilkinson said bank clients are even more willing to consider outsiders for nonexecutive positions such as web developers, Java programmers or help-desk supervisors.

Banks' reluctance to recruit nonbanking people for such positions is understandable, said Sheryl Nilson, president and CEO of the $221 million-asset Pacific Crest Savings Bank in Lynnwood, Wash.

Numerous banking regulations require personnel who understand policies, procedures, risk assessments and vendor management. At the same time, the Federal Deposit Insurance Corp. and state bank regulators audit all matters related to IT and cybersecurity, which increases the importance of hiring trained staff, Nilson said.

Most, if not all, of Kershner's clients that want to overhaul their IT operations prefer candidates with experience at a bigger bank.

While that view is understandable, given banking's complexities, Kershner said banks also want chief information officers who are bright, think strategically and have a passion for technology, which opens the door to a creative hiring decision.

"Alignment is the key word," Kershner said. "The ideal IT candidate today can align the business and technology."

Banks need to alter their thinking, said Thomas Duryea, CEO of the $267 million-asset Summit Bank in Oakland, Calif. Candidates with diverse backgrounds can add a different and — sometimes better — perspective that improves the IT function and a bank's performance.

"For me, you're always better off finding smart, driven people who might lack banking experience, but who can catch on pretty quick," Duryea said.

Another hurdle is finding the funds to pay for driven candidates, because they often have other options and do not come cheap.

Community banks must consider what other industries are paying, said Duryea, whose bank operates around San Francisco, where it can be expensive to recruit and retain IT talent.

Credit unions face similar challenges.

Matt Selke, CEO of the $75 million-asset Pinnacle Credit Union in Atlanta, said that, while he doesn't think banking experience is necessary for IT hires, bigger banks and other credit unions tend to believe otherwise. As a result, they might be causing bigger problems tied to unrealistic expectations, especially in the current job market.

"Everyone wants their employees to have three to five years of experience, but does it need to be in a bank?" Selke said. "Not necessarily, but they do need to have experience protecting data."

IT security seems to be the top priority for regulators, so having experienced employees who can "talk the compliance talk" can make an exams go much smoother, Selke said.

While many are still demanding banking experience from IT candidates, Kershner said he believes fresh thinking will eventually emerge out of necessity.

"I'm still holding out hope," he said.

Ken McCarthy