

COMMISSIONER of banks leadership program



Figure 1. Joe Smith, Commissioner of Banks discusses his development plan with Ha Nguyen, Executive Assistant and Public Information Officer, and Elizabeth Hammond, Director of Finance.

To keep ahead of the changes that have been taking place within the financial services industry, Joseph A. Smith, Jr., has instituted dramatic changes within the Office of the Commissioner of Banks (OCOB) since he became North Carolina's Commissioner of Banks in 2002. The Leadership Program was initiated in 2007 to build the management team's capabilities in the face of these dramatic external and internal changes. Read more ...

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WHY the program was needed

The NC Office of the Commissioner of Banks (OCOB) is responsible for assuring the safety and soundness of financial institutions operating in North Carolina and for protecting consumers of financial services. A staff of about 85 carries out this mandate.

Joe Smith is the Commissioner of Banks, appointed by Governor Easley in 2002 and reappointed in 2003 and 2007. Mr. Smith points out that there have been

dramatic changes in the financial services industry. He has initiated a number of significant changes at OCOB to enable it to continue to carry out its charge in the face of these changes.

The most dramatic changes within the industry have been with technology and with the array of creative new products and services offered by financial institutions. The institutions supervised, especially the larger banks, are using technology to the fullest. Mr. Smith is pushing his bank examiner teams to use information and communications technology to dramatically increase the efficiency of the examination process and to stay one step ahead of this increasingly complex industry.

OCOB management, a group of about 20, has considerable experience supervising (in the regulatory sense) the financial institutions OCOB is charged with supervising, but little professional training in supervising people. Add to this the nagging reality that it is becoming increasingly difficult to attract and retain skilled examiners and financial specialists to work in a state agency. (Think about the salaries for skilled financial professionals in the private sector.)

Mr. Smith has brought to OCOB an emphasis on managing for results. Every employee is expected to produce results that contribute to OCOB's achieving its mission. The management team is accountable for influencing outcomes beyond the boundaries of OCOB's organization – "ultimate" performance measures such as the number of fraudulent practices, financial industry performance, state-level economic indices relative to national indices, and so on. To support this emphasis on results, Mr. Smith and Debbie Petersen, OCOB's Human Resources Manager, have introduced a new performance management process based on measurable results, continuous feedback, openness of performance information, and reward for exceeding expectations.

So there have been changes aplenty that OCOB managers have been dealing with. There is pressure to quickly build the professional people management skills that can lure and keep highly skilled and achievement-oriented professionals. Managers need to be able to bring about dramatic changes in the way the work is done. They need to think, and enable employees to think, "results" in addition to the traditional obsession with "process." These have been the demands on OCOB's managers. It is within this context that the Leadership Program was born.

HOW the program was developed

The Leadership Program is one of several pieces of a human resources puzzle that have come together since 2006. All positions within OCOB have been career banded. Ms. Petersen worked with OSP to enroll OCOB managers in a number of training programs offered at the Personnel Development Center. A special edition of the Equal Employment Opportunity Institute was conducted for OCOB managers, which provide excellent exposure to professional supervisory practices, especially around managing a diverse workforce and the legal and policy issues in employment practices.

What was needed was a program that could assess OCOB's management team and launch each member on an individually tailored developmental journey to further build the leadership skills needed to enable OCOB to continue to be successful in achieving its mission within a rapidly changing environment. To do this, Mr. Smith and Ms. Petersen worked with consultants from OSP to design a leadership development program built around 360-degree feedback.

The idea of 360 feedback is to collect information from a number of people who work closely with a manager about how that manager performs certain leadership activities. The term "360" reflects the fact that this information is gathered from all around the manager – from supervisor, coworkers, employees, customers, and others outside the organization that the manager may work with. This information is presented to the manager – thus the term "feedback." The feedback suggests areas of strength and areas of relative weakness. The manager can then use this feedback to identify ways to better use the strengths and to build up the areas of weakness. In addition to giving direction to development (pinpointing what to work on), the feedback also energizes the manager's development efforts (presumably most people want to be more effective).



Figure 2. Wilber Loftin and Stephen Williams, Bank Supervision Team Supervisors, at round 3's kickoff briefing.

An important prerequisite of an effective leadership development program is identification of what effective leadership looks like: What do leaders in *this* organization need to *do*? How do they need to *act* to achieve OCOB's aggressive goals? Ms. Petersen worked with senior management to prepare a leadership competency model that takes into account OCOB's particular mission and strategic direction. Drafts of the model were reviewed by OCOB's management team and revisions made to ensure relevance. One of the 11 dimensions included in the competency model is, quite appropriately, Managing Change.

OSP converted the model into a questionnaire. The questionnaire asks people (feedback givers) to rate how effectively the “target” manager performs each of 81 different behaviors (there are five to seven behaviors relating to each of the 11 dimensions). After rating the behaviors, feedback givers select the three behaviors that stand out as the target person’s strongest suits and three that represent the least strong behaviors. The last section of the questionnaire gives feedback givers free rein to write in suggestions as to how the target person could be more effective. Feedback givers, by the way, must be individuals who have had ample opportunity to actually observe the target manager in action.

With the leadership model and 360 questionnaire in place, OSP, working closely with Ms. Petersen, built the other elements of the program. Each iteration of the program (it has been conducted in three rounds during 2007 and 2008) has involved improvements and modifications. The program is a way to assess each manager’s current leadership skills, identify strengths and development needs, and tailor development plans to capitalize on each manager’s strengths and address areas that if strengthened would increase a manager’s effectiveness.

HOW the program works

PARTICIPANTS and scheduling

The entire management team participated in the program, beginning with the Commissioner and his two Deputy Commissioners. Participants were divided into three groups, with the three senior members of the management team taking the plunge first. As Mr. Smith observed, “It wouldn’t be right to ask my team to do something that I haven’t done first, especially if it might be painful. Although it’s tempting to have them go first, isn’t it!” The rest of the management team participated in the second and third rounds, ten managers in each.

PROGRAM elements

Each round of the LDP is conducted over a four-week period and consists of the following elements:

1. Kickoff session (1 hour) – Consultants from OSP brief participants on how the 360-degree feedback process works. The purposes of the program are reaffirmed: for participants to see themselves as others see them, use their feedback to give impetus and direction to their development, enhance their effectiveness as leaders, and – ultimately – more effectively deliver the results expected of OCOB as an organization.



Figure 3. Rodney Oldham, Consumer Industries Applications Manager, reviews his feedback giver list with OCOB HR Consultant, Debbie Petersen.

2. Feedback collection (2 weeks) – Participants prepare their lists of people they will ask for feedback – up to 20 in addition to their self-evaluations and feedback from their supervisors. These invitation lists are vetted to assure balance (it's not helpful to get feedback only from your best friends). Then the participants ask the people on their lists to complete a feedback questionnaire and return it to an OSP consultant for confidential processing. Completed questionnaires are received over this two-week period and assembled into individual reports for each participant.
3. Preparation for receiving feedback (online course) – Feedback, especially feedback that is critical, can elicit emotional, defensive reactions that render participants closed to the information, no matter how useful it might be to them. To try to minimize this effect, participants complete a brief online course that helps them understand their natural degree of openness to feedback and to prepare to accept their impending feedback with as high a degree of openness as possible.
4. Feedback briefing (1½ hours) – OSP consultants explain how to read and interpret the feedback reports and participants get some practice in distilling out the key themes from the rich data in a feedback report. At the end of the session, they are given their individual feedback reports with the assignment to read the report and identify their key strengths and development needs.
5. Development planning workshop (2 hours) – Participants learn how to create development plans that focus on producing behavior change

through acquiring new knowledge, skills, or experience and then applying to their jobs what they've acquired. People are so accustomed to thinking of development plans as lists of activities to complete that it takes some effort to write a plan that actually focuses on results. In this workshop participants also learn how to discuss their development plans with and gain support from their supervisors.

6. One-on-one coaching sessions (1½ hours) – OSP consultants meet with each participant, one on one, as executive coaches to review development plans. Because this type of development planning is a new experience for virtually all participants, assistance from a disinterested third party seems to be helpful.

These last three elements are spread out over a two-week period ... for a reason. When receiving job-related feedback that is as in-depth and potentially critical as the feedback offered in this program, people require some time to process, absorb, and create. Thus the program gives instruction on making sense of your feedback (in step 4) and then allows time for the feedback to sink in and for participants to do their analyses before jumping into development planning. The program then offers training on development planning (in step 5) and builds in time for participants to work on a draft of their plans before meeting one-on-one with their coaches (in step 6) to review and refine their plans. This spacing seems to help produce more thoughtful and effective plans.

7. Follow-through – Participation in the program involves the understanding that participants will review their feedback and development plans with their supervisors, and that supervisors will provide further input as well as ongoing support for their employees' development efforts. Success of the program depends entirely upon participants doing something with their feedback. As the OSP consultants emphasize, development doesn't happen until behavior changes. So it is up to participants to carry out their development plans – to put a strength to better use or build up an area of relative weakness – and to change their behavior in ways that are relevant to OCOB's success.

DETERMINING *if the program works*

How do participants know if their development plans have been successful? How does OCOB know if their Leadership Program has been effective? OCOB is using two methods to try to answer these questions.

1. Follow-up mini 360 – Six months after participants begin to work on their development plans, OSP assists each participant in tailoring a questionnaire to measure whether the behaviors they have been working on have in fact noticeably changed. These questionnaires are sent to participants' original feedback givers, completed, and returned to OSP for processing. Feedback reports let participants know how effective their efforts have been. These reports are confidential and do not factor into

participants' annual appraisals. However, anticipating that the measures will be taken helps keep participants focused on development. And once the measures have been taken, participants have an indication of how effective their efforts have been.

2. Annual performance appraisal – OCOB's results-focused performance management holds managers accountable for certain "people management" results. One metric on managers' dashboards (work plans) sets the expectation that turnover of high performing employees will be kept to a minimum. Another sets the expectation that employees within a manager's area of responsibility will be highly motivated feel they are contributing meaningfully to OCOB's mission, as measured by an annual employee survey. Other measures on participants' dashboards define the business results expected. Depending on participants' particular development plans, it would be anticipated that one or more of the metrics that appear on their dashboards would be positively affected by their self-development efforts.

Mr. Smith expresses confidence that the program will be effective, though the key will be how well participants put to work the insights gained through their 360 feedback. Diligence and discipline will be required of the participants in "working" their development plans. The proof will be in the results ... measurable results.