

18th Annual Global CEO Survey

Key talent findings in the financial services sector

A new take on talent



410

financial services CEOs in 62 countries were interviewed for PwC's 18th Annual Global CEO Survey. A marketplace without boundaries? Responding to disruption (www.pwc.com/ceosurvey)

70%

of financial services CEOs see the limited availability of key skills as a threat to their growth prospects, up from 59% last year

85%

of financial services CEOs believe that their strategy to promote diversity and inclusiveness has enhanced business performance



Summary of industry-wide survey

CEOs are generally optimistic about the economy and their own company prospects, but are concerned about the impact of factors beyond their control such as regulatory change and geopolitical instability, along with industry disruption from new entrants. In PwC's 18th Annual Global CEO Survey we look at how business leaders are finding new ways to compete in an era of unprecedented digital change. We surveyed 1,322 CEOs across 77 countries and a range of industries in the last quarter of 2014, and conducted face-to-face interviews with 33 CEOs.

Rapid, technology-led change presents many risks – but also many opportunities. It's reshaping the relationship between customers and companies and breaking down the walls between industry sectors. It's making forward-thinking CEOs question the very business they're in as they reassess how their organisation's differentiating capabilities can be better used to solve customer problems.

In 'A marketplace without boundaries? Responding to disruption', we explore three implications of this changing competitive landscape for CEOs. They need to understand how to create new value in new ways through digital transformation; develop diverse and dynamic partnerships; and find different ways of thinking and working. And to succeed, business leaders will have to show vision and flexibility in thinking, be sincere and courageous, and take demonstrable action that drives changes in behaviour. CEOs represent the external brand.

This report is a summary of the key findings on talent in the financial services industry, based on interviews with 410 financial services CEOs in 62 countries and in-depth interviews with Monique F. Leroux, Chair of the Board, President and Chief Executive Officer, Desjardins Group, Christian Laub, CEO, Credicorp Capital, Alexey Marey, Chief Executive Officer, Alfa Bank, Ross McEwan, Group Chief Executive, RBS, Beth E. Mooney, Chairman and Chief Executive Officer, KeyCorp, John Neal, CEO, QBE Group and Atsushi Saito, Director & Representative Executive Officer, Group CEO, Japan Exchange Group Inc.

Preface

“A worrying 70% of financial services CEOs now see the limited availability of key skills as a threat to their growth prospects, a big jump from the already high 59% we saw last year,” says Jon Terry, PwC’s Global FS HR Consulting Leader.

“Businesses aren’t just competing for seasoned FS professionals, but also the more diverse and hybrid types of talent demanded in a sector facing the disruptive impact of new technology, more complex regulation and increasing competition from new entrants. From the development of sharper HR analytics to tapping into new pools of talent, most FS organisations are only just beginning to get to grips with these challenges, creating opportunities for forward thinking and faster moving businesses to pull ahead.”

Drawing on the findings of our latest Global CEO Survey and our wide-ranging work with FS clients, this report explores what kind of people are needed to take the business forward in this transforming marketplace, how to attract, retain and reward them and how to optimise their performance. The report concludes by setting out the key talent priorities for CEOs and HR:

- 1 Lead from the front
- 2 Develop a coherent workforce plan
- 3 Adapt to new market demands
- 4 Rethink what we mean by talent
- 5 Embrace diversity
- 6 Be realistic about reward
- 7 Apply analytical rigour

“People make the difference in this business.”

Christian Laub
CEO of Credicorp Capital

Industry disruption calls for rethink of talent strategies

Financial services (FS) is at a crossroads. The uncertainty and change that lie ahead are reflected in the fact that 61% of industry leaders believe there are more opportunities for growth than three years ago, but almost the same (58%) believe there are more threats. Some of the opportunities and risks are being created by changes in the business. But some of the greatest risks and threats that CEOs face are often outside of their control. This makes it more important than ever to have an agile and adaptable workforce capable of dealing with the risks and capitalising on the opportunities. So where are these opportunities and threats coming from?

The bulk of FS CEOs see digital technology as a game-changing opportunity. More than 80% believe it will enable them to sharpen analytics, enhance customer experience and strengthen operational efficiency. The key challenge is how to attract, train and retain people who combine digital and FS skills – few as yet possess such hybrid capabilities.

Further opportunities lie in a fresh wave of competitive collaboration. Nearly half of FS CEOs plan to enter into a new joint venture or strategic alliance over the coming year. Nearly 40% see strategic alliances as a way to access new and emerging technologies. The challenge is getting people from FS and other industries to ‘talk the same language’, which can be difficult when few FS leaders have had experience outside the sector.

Perhaps unsurprisingly, industry leaders see regulation as the most disruptive trend (see Figure 1). Further concerns centre on the relentless disruption generated by new technology, changing customer behaviour and a new breed of tech-enabled competitors. When banking, insurance and asset management CEOs were asked from which industry a significant competitor is most likely to emerge, technology topped the list, some way ahead of other sectors.

“The change that our people will go through over the next five years will, I suspect, be even greater than the huge change our business has seen over the last five years.”

Ross McEwan
Group Chief Executive, RBS

“We have found that we need to look in different and diverse places for talent that can help us build out this big data, social media, technology-driven world.”

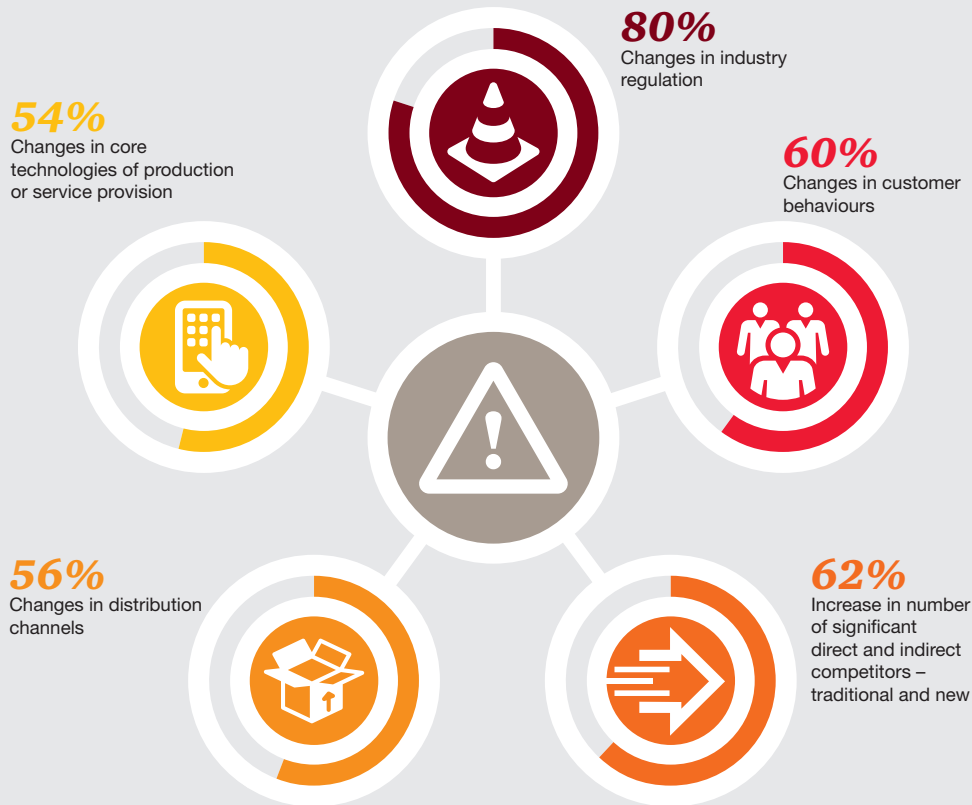
Beth E. Mooney
Chairman and Chief Executive Officer of KeyCorp

“If we’re looking at leaders, we want to see diversity in the leader’s capability. You don’t want a leader to be one dimensional. That person can lead a business unit...you want your leader to be able to manage across a spectrum of different responsibilities.”

John Neal
CEO, QBE Group

Figure 1 Industry disruptors and their impact

Q: How disruptive do you think the following trends will be for your industry over the next five years?
Respondents who stated 'very disruptive' or 'somewhat disruptive'



Source: PwC 18th Annual Global CEO Survey – Key talent findings in the financial services sector
Findings are based on interviews with 410 financial services CEOs in 62 countries



70%
More than 70% of FS CEOs believe that cyber threats and lack of data security could jeopardise their growth prospects over the coming year, up from 61% last year.

Heightened risk

With disruption driven by technology comes heightened risk. More than 70% of FS CEOs believe that cyber threats and lack of data security could jeopardise their growth prospects over the coming year, up from 61% last year. The survey also highlighted mounting concerns over geopolitical uncertainty and social instability.

Seeking out new types of talent

This eruption of threats, opportunities and risks raises pressing questions about what kind of talent is needed to take the business forward. Around three-quarters of FS CEOs say that they now look for a much broader range of skills when hiring than they did in the past, though one might expect this to be 100% given the scale of the changes within FS and the wider economy and society.

Do FS organisations have the talent they need to succeed? The answer from the survey is in most cases no. Seventy per cent of industry leaders see

the limited availability of key skills as a threat to growth. Only 5% are confident they can secure all the skills they need. The proportion of industry leaders expressing concerns over the availability of skills has risen from less than 50% in the survey three years ago.

So why is securing the right people proving to be so difficult? The sudden demand for more people in areas such as technology, customer service and risk and compliance has created inevitable shortages. The image of FS has also suffered in recent years, making it harder to compete with other industries for people with analytics, relationship and other prized skills. Further challenges centre on the reduced funds available for rewards as a result of bonus caps, pressure on returns and higher capital and compliance costs.

What this all suggests is that your business is going to need a new take on talent, not only in seeking out people with different skills, but also new ways to get the most from them. In the next section, we explore how.

Does your talent strategy reflect changing market realities?

More than half of FS CEOs plan to increase their headcount over the next 12 months, broadly in line with last year. Asset management is the most likely of any sector in the survey to be taking on new staff.

However, behind the headline figures lie marked variations between workforce expansion in fast growth markets and retrenchment in their more mature counterparts. We're also seeing big changes in the required skillsets, with as many people going as coming in within many organisations.

Up to speed with technology

The type of talent you employ and how they're organised are as important as the technology you deploy in making the most of the digital potential.

FS CEOs recognise that digital needs to be built into day-to-day decisions and operations throughout the organisation, rather than simply being left to IT (see Figure 2). This calls for the right training and tools. It's also vital to break down the silos between IT, innovation, marketing, trading and other frontline teams. Beth E. Mooney, Chairman and Chief Executive Officer of KeyCorp sees "the ability for our technology people to connect to our business people" as being vital in delivering "most bang for our buck from our technology investments".

"With the digital economy comes a major shift in the financial services industry and five years from now the industry will not be the same anymore... A challenge for our employees is to be comfortable with change and see it as an opportunity, not just a challenge."

Monique F. Leroux
Chair of the Board, President and Chief Executive Officer, Desjardins Group

Figure 2 Making the most of the digital potential

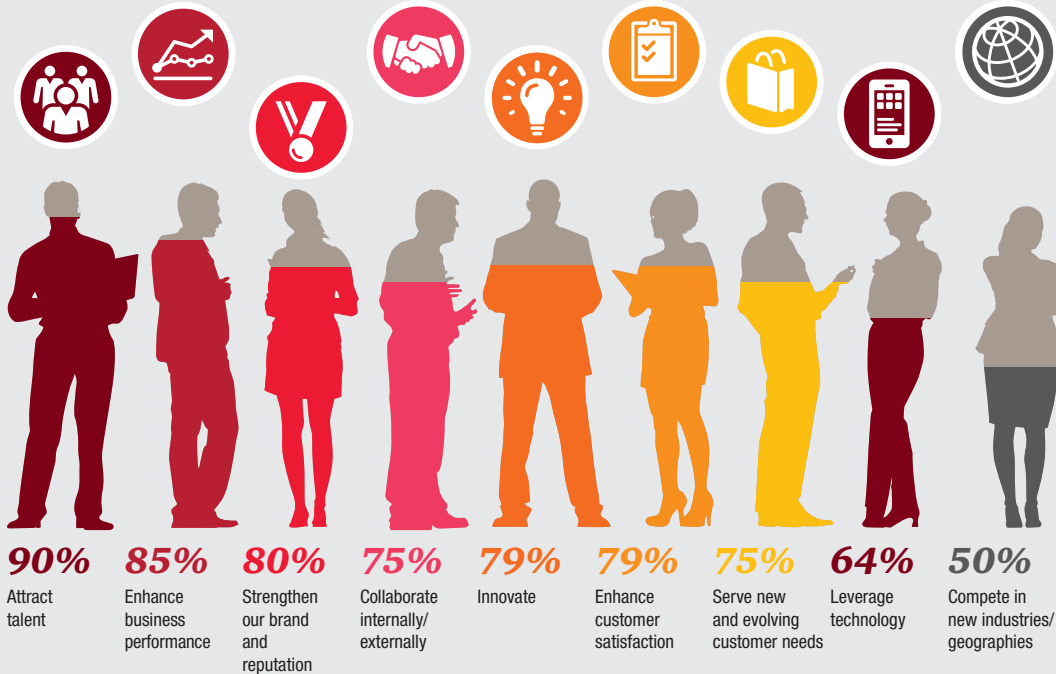
Q: How important are the following factors in helping your organisation get the most out of its digital investments?
Respondents who stated 'very important' or 'somewhat important'



Source: PwC 18th Annual Global CEO Survey - Key talent findings in the financial services sector
Findings are based on interviews with 410 financial services CEOs in 62 countries

Figure 3 The benefits of diversity

Q: Which of the following benefits, if any, has your organisation obtained from its strategy to promote talent diversity and inclusiveness. Respondents who stated 'agree' or 'strongly disagree'



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The mounting risks created by the speed of technological change call for greater understanding of how technology will transform the way work gets done and resilience within the workforce. When things go wrong “we often blame the technology, but often it is the processes which are at fault,” says Ross McEwan, Group Chief Executive of RBS. He believes that the most important element of making it all work is that “your people are trained to actually understand that process and how it feeds into that technology and how they can access the systems and processes really well”.

Where data mining, advanced analytics and other specialist skills are needed, FS organisations face tough competition with other sectors for the people they need. Rather than just direct recruitment, a key source of these capabilities is likely to be partnerships with small and specialist ventures. It’s therefore perhaps surprising that only 16% of FS CEOs have forged alliances with start-ups or are considering this.

Further need for specialist skills centre on cyber security. Targets for recruitment include people with expertise in encryption and biometric verification. As the threats grow, we’re also seeing people being brought in with intelligence backgrounds and even former hackers.

The hybrid workforce

Accelerating digitisation will transform how people are deployed. This new hybrid model isn’t just about replacing people with machines and artificial intelligence, but using a combination of human and digital capabilities to sharpen decision making and create a richer and more appealing customer experience.

One of the key challenges is how to cut through the noise of data to create genuine insights. It’s also important to judge what role your people will play in this new model. People will need to be responsible for determining the strategic application of artificial intelligence and providing challenge and oversight to decisions. It’s also important to avoid ‘decisions by numbers’, which could restrict access to finance and constrain humanity’s gift for creativity and innovative ‘chancing’.

The diversity dividend

Most FS CEOs now recognise the importance of diversity and inclusiveness in enhancing business performance, strengthening customer satisfaction and fostering innovation (see Figure 3). The pursuit of diversity stretches from ensuring the workforce and its leadership better reflect the customer base in areas such as

“While I do not categorically reject this approach, I’m afraid that if a company continues to recruit college graduates for a lifetime employment, it could eventually end up in a monotone culture. I think a company will have to embrace various types of people with diversified values in order to be competitive and to survive.”

Atsushi Saito
Director & Representative
Executive Officer, Group CEO
of the Japan Exchange Group
Inc.

“The whole industry needs to take that on board because we have lost the trust of a whole community of people. If we don’t rebuild it, somebody else will and will take those customers away from us.”

Ross McEwan
Group Chief Executive, RBS

gender, generation, ethnicity and disability to seeking to attract people with a wide range of skills, experiences and industry backgrounds. As the FS sectors within the emerging markets of South America, Asia, Africa and the Middle East continue to expand and the capital flows between them grow, the importance of broader cross-cultural diversity is also increasing.

In the past, many FS organisations saw broadening diversity as primarily a matter of brand and reputation rather than a key way to bridge skills gaps. When we surveyed CEOs in 2010, barely 40% were taking active steps to attract more women, younger and older people. Today, 59% of FS CEOs have a strategy to promote talent diversity and inclusiveness and a further 14% plan to adopt one. Insurance is the most likely of any sector in the survey to have adopted such a strategy.

Industry leaders are coming to recognise that they can no longer simply rely on what has often been a narrow talent pool. With more than 50% of graduates aged 25-34 likely to be living in lower cost emerging markets by 2020¹, it would make sense to tap into this readily available talent, for example.

The pursuit of diversity as a commercial priority also reflects the recognition that a customer-centric business needs people with a real sense of what clients are thinking and experiencing. This might be bringing in people from the client industries to ensure a better understanding of their needs and how to deliver the right outcomes. It would also include ensuring the profile of the workforce and its leadership reflects the geographical markets targeted for growth. “We used to have a strong preference for somebody that understood banking or financial services, and now you cast a much wider net across many different industries,” says Beth E. Mooney of KeyCorp. “You’re looking for distinct capabilities that they can transplant, because many of these people are new to banking.”

The need to create a more flexible and customer-centric organisation demands fewer people with specialist product expertise (‘depth’) and more all-round ‘athletes’ (‘breadth’). These people will have the varied technical skills and multi-industry experience to move easily between clients, countries and assignments.

So are FS CEOs and their HR teams doing enough to make diversity a reality within their organisations? Nearly 40% are not actively searching for talent in different industries, geographies or demographic segments, which would mean they’re missing out on valuable opportunities.

Moreover, identifying and seeking out new sources of talent is only one piece in the puzzle. Even after being hired, employees who don’t fit the traditional mould for particular roles often struggle to succeed and progress in the workplace. It’s notable, for example, that women only make up around 10% of the FS business leaders taking part in the survey, highlighting the unconscious biases that may still hold some staff back.

Rebuilding trust

CEOs have been striving to reshape culture and behaviour in the face of public disillusionment and continuing scandals within the industry. But the impact has been less than most would have hoped. It’s telling that 62% of FS CEOs see lack of trust as a threat to growth, even higher than last year.

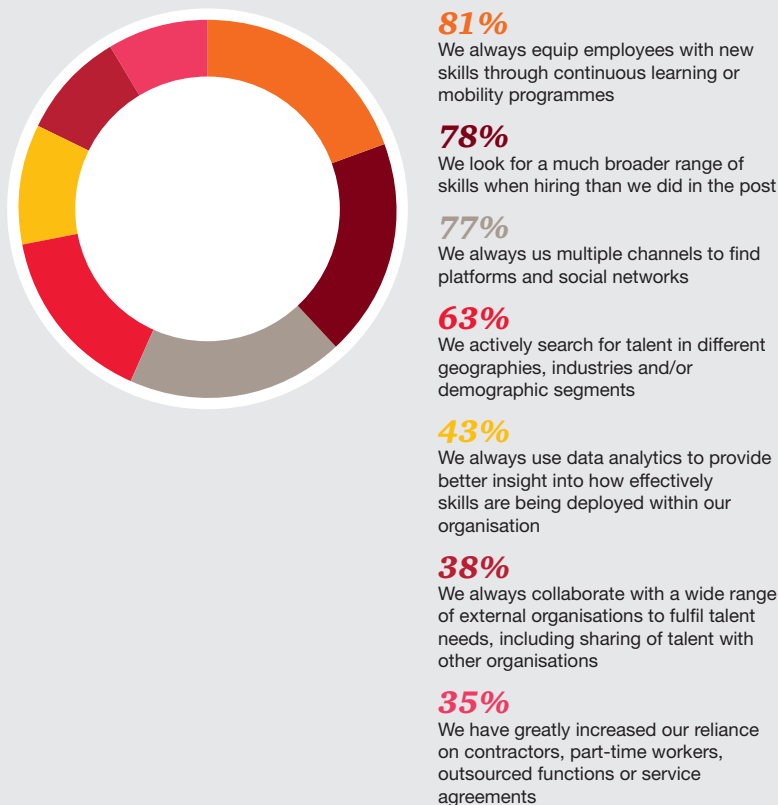
So what are the keys to successfully changing attitudes and restoring trust? Our work with clients underlines the importance of ensuring that changes in culture and behaviour are aligned with strategic objectives rather than just a response to regulatory sanction. It’s also essential to ensure that the changes permeate right through the organisation and are applicable to each person and role.²

1 OECD Education Indicators in Focus, 2012

2 We look more closely at how to change culture and behaviour in Forging a winning culture (<http://www.pwc.com/gx/en/financial-services/publications/forging-a-winning-culture.jhtml>)

Figure 4 Developments in talent management

Q: To what extent do you agree or disagree with the following statements about your organisations talent activities? Respondents who stated 'agree' or 'agree strongly'



Source: PwC 18th Annual Global CEO Survey - Key talent findings in the financial services sector. Findings are based on interviews with 410 financial services CEOs in 62 countries

Areas where advanced talent analytics can enhance HR capabilities range from identifying performance issues to more proactive targeting of candidates for recruitment and succession. Analytics can also improve your ability to act quickly and decisively, knowing that you have the hard data to back this up.

Other uses for digital include more effective surveillance of abnormal behaviour, using both structured and unstructured (e.g. text and voice) data, which could greatly improve your organisation's ability to detect fraud or rogue trading. This is going to be increasingly important as organisations look to avert future scandals.

Key challenges include ensuring HR teams have the skills and culture to support effective analytics. It's important to develop relevant measurement dashboards and embed analytics tools and methods in processes. It's also important to ensure that analytics provide actionable insights and solutions, rather than just reams of extraneous data.



10%

It's notable, for example, that women only make up around 10% of the FS business leaders taking part in the survey, highlighting the unconscious biases that may still hold some staff back.

Using digital to enhance performance management

FS HR sits on massive amounts of data. Yet as Figure 4 highlights, less than half of FS CEOs are making major use of data analytics to provide better insights into how effectively skills are being deployed within their organisation. It should be noted, however, that HR analytics is still in its infancy across most industries. The only sector where more than 60% of survey participants are making extensive use of it is communications.

Priorities for CEOs and HR

The survey findings show that industry leaders recognise the extraordinary challenges they face, but may be slow and uncertain in responding. We believe that a new take on talent and how it's deployed are going to be vital in turning industry disruption from a threat to an opportunity:

"If you identify a problem, you're never going to regret having gone too hard at it."

John Neal
CEO, QBE

1 Lead from the front

It's vital that leaders clearly articulate the strategy, purpose and brand promise of the organisation, along with the expected behaviours that underpin this.

Some of the most critical strategic decisions centre on people and skills. 'What are the capabilities we need to compete?' 'Can we train or hire the right people or will we need to partner with others?' 'How do we foster collaboration and common goals within an increasingly diverse workforce?'

CEOs should take the lead in shaping the incentives, reward policies and, where necessary, sanctions that are needed to encourage and enforce the right behaviours.

It's important to be clear, consistent and decisive in the way behaviour is monitored, good behaviour rewarded and bad behaviour identified and addressed. Violating corporate policies that reflect the organisation's values and expected behavioural norms, including risk management policies, must have consequences for the individuals who fail to comply. This is the right thing to do for shareholders, customers and is certainly expected by the regulators and the public at large. This is the way CEOs align behaviour and culture with strategic business objectives.

2 Develop a coherent workforce plan

It's important to develop a more proactive, systematic and centralised workforce plan, capable of anticipating what kind of people are needed and where they should be deployed to meet business objectives. The considerations include how to ensure business planning is appropriately aligned with recruitment and what operations could be automated or outsourced.³

3 Adapt to new market demands

The need to adapt talent to the demands of a fast-evolving marketplace will require a major programme of training and development within the organisation. This includes developing new types of analytical and technology skills. Some of the people you need to take the business forward will also come from other industries or can be accessed through partnerships with niche organisations.

4 Rethink what we mean by talent

Certain roles may be significantly disrupted in the future, such as tellers in a newly digitised environment, while other roles will see significant change such as a loan officer shifting from analysing credit scores and administering loans to building trust, anticipating and changing client needs. Customers want trusted business relationships with FS organisations and don't want to be treated as simply a transaction or counterparty to a trade. This will require talent that understands customer needs and how to build trust and long-term relationships.

³ A 2014 PwC FS viewpoint, 'Workforce of the future' looks in more detail at the role of workforce planning in meeting strategic demands (<http://www.pwc.com/us/en/financial-services/publications/viewpoints/fs-viewpoint-how-strategic-workforce-planning-can-help-financial-institutions-today-tomorrow-and-beyond.jhtml>)

5 Embrace diversity

A new marketplace needs a broader talent pool and new ways of thinking. It's therefore important for CEOs and their HR teams to take a more active role in seeking out fresh sources of talent, encouraging divergent thinking and broadening the criteria for succession planning.

6 Be realistic about reward

Financial rewards are being reduced by lower returns, by new rules on compensation and by relentless political and media scrutiny. FS organisations are in need of fresh talent and skills just as they are becoming less competitive in the talent market. They will need to offer more than money and manage employee expectations on compensation, while not compromising on culture.

7 Apply analytical rigour

Using big data and other advanced analytical tools to sharpen the precision and proactivity of talent planning and performance management and then speed up the response. New techniques such as surveillance data will also be crucial in analysing patterns of behaviour and deterring/detecting misconduct.

Contacts

If you would like to discuss any of the issues raised in this report in more detail, please get in touch with me or your usual PwC contact.

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