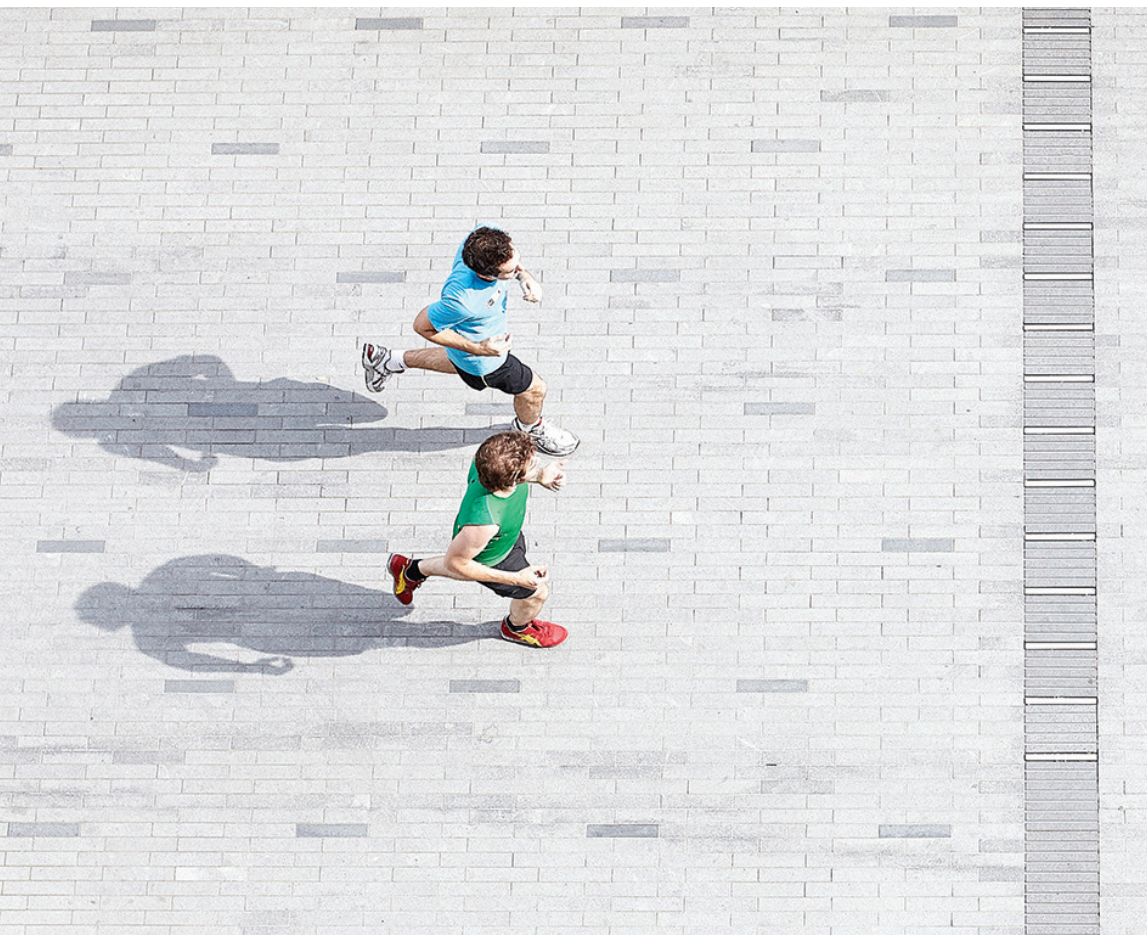


Financial services is being transformed. How can you optimise your human capital today, while building for tomorrow?

The power to perform: Human capital 2020 and beyond



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Foreword

In the face of political upheaval, fast-shifting customer expectations, and technological and regulatory disruption, the question is no longer whether financial services (FS) is being transformed, but how quickly, how to keep pace, and how to deliver strong business results in this new environment.

In an earlier paper, we analysed the impact of these transformational developments on operational and organisational models in FS, including capabilities, decision making and reporting relationships¹. In *The power to perform: Human capital 2020 and beyond*, we focus on how these developments are shaping a new people agenda, and set out how FS organisations can proactively manage human capital to ensure they remain relevant and competitive.



The challenge of disruption

Financial services is facing huge disruptions – political, regulatory and technological. And with this comes the need for ...

- *New skills*
- *An innovative and agile mind-set*
- *And new ways of attracting, motivating and organising your people*

How can you ensure you have the – human capital – you need to succeed?

¹ Equipped for the future: Re-inventing your organisation (<http://www.pwc.com/gx/en/industries/financial-services/publications/equipped-to-compete.html>)



Overview

Financial services is being transformed, and with it the talent FS organisations need to succeed, where they come from and what they want from their careers.

By 2020, the make-up of the workforce and how it's recruited, organised and rewarded will look very different from today. In turn, the role and function of HR will have been overhauled. How can FS organisations make sure their workforce strategies, and how they are executed, are fit for the future?

Drawing on our examination of competitive developments within FS, we've identified seven key priorities for optimising talent – or human capital – today, while building for the future:

2020 trend

- FS industry reputation continues to suffer across a broad range of stakeholders, including talent, clients, regulators and the general public
- Employee preferences are evolving (e.g. desire to work for socially-conscious organisations), and the lines between personal and professional life continue to blur
- Talent will readily switch to another organisation that better aligns to their values, or if their experience of working for the organisation does not line up to the initial promise

Human capital strategy

- Revitalise organisational purpose and employer brand to align with evolving stakeholder expectations in key areas including career paths, diversity, flexibility and delivering value to society
- Implement programmes and embed behaviours that reinforce the redefined culture, employer brand and sense of purpose
- Build an effective risk culture to help re-establish trust with customers and talent, and meet changing regulatory requirements



Priority two

Develop dynamic workforce supply/demand models to prepare for the workforce of the future

- Labour arbitrage and industry disruption will forge a workforce that is increasingly versatile, mobile, digital and automated
- Business strategies will shift to take advantage of changing market dynamics. Speed of deployment, ability to flex workforce plans, and adaptability of talent will be critical for organisations to keep pace and compete
- FS organisations will increasingly tap into alternative sources of talent (e.g. contingent workers) to help drive workforce flexibility

- Implement strategic workforce planning to better anticipate and plan for a variety of scenarios and changes to strategy
- Enhance dynamic workforce modelling capabilities to enable proactive redeployment of talent and better connect business needs with the required talent
- Align business and workforce strategy by promoting integration between HR and other areas of the business (e.g. Finance and IT)
- Recruit and develop talent with multiple skill sets, which can adapt to a variety of business scenarios
- Establish internal mobility processes enabled by technology (e.g. talent marketplaces)
- Implement compliant contingent workforce management processes



Priority three

Maximise the potential of digital 'talent exchanges' to promote a better match between talent 'buyers' and 'sellers'

- Increasingly competitive market for top talent will shift the job selection power to the employee
- Social media and job rating sites are expanding access to information about prospective employers and influencing decisions on whether to apply for and take up roles
- Growing demand for employer/employee transparency and information sharing throughout the recruitment process
- Organisations will need to provide candidates with greater access to information about the business, its aims and what the role really involves to compete for the best candidates
- Increased transparency will empower both employers and employees in the selection process, and foster a closer cultural fit

- Engage in transparent, technology-enabled talent marketplaces where two-way employee/employer feedback is provided (e.g. former employees provide reviews, employers rate employees)
- Develop talent communities to connect with candidates and keep them up-to-date with company news, events and opportunities
- Provide meaningful and immersive pre-employment visualisation and experience through gamification, virtual reality, shadowing, and short-term trials (i.e. 'day in the life' preview)
- Maximise potential of gamification and psychometric testing to better understand candidate skill sets, attributes and cultural fit
- Develop programmes and processes for outplacement to strengthen cultural fit



Priority four

Influence redesign of academic curricula and modernise corporate learning & development to build an adaptive workforce

- Concerns over the lack of people with key skills and the right combination of capabilities
- Return on investment from some university education continues to be challenged
- Academic institutions need to transform learning curricula to meet new workforce skills and mind-set requirements
- Organisations will be challenged to create meaningful development opportunities for staff all through their careers
- A review and rethink of traditional learning & development (L&D) models needed to create a more immersive learning environment, and drive employee skills development through the course of their careers

- Build capabilities to perform and lead in the new marketplace including technological skills, capacity for innovation, emotional intelligence and the ability to adapt to different cultures, constant change and an environment of volatility, uncertainty, complexity and ambiguity (VUCA)
- Focus on building 'multi-hatted' talent with combined business, technical and regulatory acumen to enhance cross-functional execution capability and credibility
- Challenge traditional L&D models and begin employee development earlier through more immersive programmes ahead of graduation:
 - Apprenticeships within companies for students
 - Influence curriculum design via partnerships with universities, including the development of customised programming to match company needs
 - Promote lifelong learning and adaptability through regular re-skilling to meet changes in market events or business model
- Reach out to non-traditional sources of talent such as more people taking vocational courses rather than full degrees
- Revisit corporate training programmes, and augment with open online courses and other externally available content
- Vigilant tracking and transparency around L&D, supported by real-time feedback and technology-enablement
- Design and implement career paths outside the organisation to provide new experiences (e.g. one-year rotation in a FinTech business and back into the FS organisation)



Priority five

Digitise the workplace to fuel increased workforce productivity



Priority six

Integrate human capital data analytics in priority business decisions

2020 trend

- Robotics and artificial intelligence are replacing repeatable, transactional tasks, both those facing the customer and the employee
- Automation of work is commonplace; business process management solutions and cloud-based HR technologies are automating formerly manual tasks (on-boarding, recruitment, workload management, performance reviews), driving self-service delivery and freeing up capacity to focus on more strategic, high value activities

- Many FS organisations lack the robust analytical capabilities needed to make meaningful use of workforce data
- Increasing volumes of workforce data and integrated technology platforms will enable major advances in workforce analytics, including:
 - Predictive analytics to identify skills and experiences that are indicative of success at an organisation
 - Biometric data from wearables
 - Labour market analytics to inform new market entry
 - Surveillance data to monitor potential misconduct

Human capital strategy

- Analyse impacts of new technologies (e.g. robo-advice or robotic process automation for repeatable tasks) on job roles, accountabilities, skills and mind-set
- Redesign job framework (capabilities, job families, roles and pay) based on the new business models and disruptive automation technology
- Make use of efficiency gains from increased HR self-service to refocus HR on strategic projects that have direct impact on business strategy (e.g. talent strategy development, workforce planning and employer brand promotion)
- Develop programmes that enable workers displaced by technology to be re-skilled/ redeployed internally
- Revamp HR operating model with a focus on new capabilities, effective governance, best fit technology and clear metrics to demonstrate how HR contributes to business value

- Ensure investments in HR technology include robust data analytics and visualisation capabilities (either acquired externally or developed internally)
- Recruit and develop HR talent with quantitative data modelling skill set, as well as the ability to interpret data and understand its business implications
- Make it clear to employees how workforce data is used
- Provide the value from employee data that will encourage them to provide more information
- Partner with the business to identify how human capital descriptive, predictive and prescriptive analytics can inform strategic decision making



Priority seven

Redesign jobs and compensation models to reward contribution to business value

- Downward pressure on compensation in FS coming from regulatory changes, public scrutiny and investments in technology
- Current pay structures are not sustainable – FS organisations will need to move away from traditional pay models that reward tenure and focus on contribution to business value
- Redefinition of required capabilities, redesign of job, redefinition of internal/external sourcing models based on access to talent and links to dynamic market-based compensation/rewards are required

- Design new compensation structures and ensure that high performance and delivery of strategic business objectives are rewarded
- Revise processes to release lower performers to make way for fresh new talent
- Redefine job frameworks and organisational hierarchies to align to new compensation structures
- Establish robust value metrics and measurement techniques to ensure that new organisational roles are fairly compensated for the value they provide
- Anticipate and embed regulatory requirements in compensation plan design, performance management and rewards process

Definitions

What we mean by ‘employer brand’

The employer brand is the image of your organisation among current and prospective employees, along with people who might influence them, such as their family, friends or social networks. A compelling employer brand can boost your ability to attract, engage and retain a high-performance workforce.

What we mean by ‘employee value proposition’ (EVP)

The employee value proposition is why people would want to work for your organisation – what you offer them (‘give’) and what you expect in return (‘get’). The ‘give’ brings together every aspect of the employment experience, from your organisational purpose and culture through to pay, working environment and development opportunities. The ‘get’ encompasses what you want from employees including skills, behaviour, performance and attitude to work.

The issues reshaping FS sectors and their human capital implications

Through our Project Blue 2.0 framework² and 2020 and beyond series³, we've been exploring the issues reshaping insurance, asset management and banking and capital markets, the risks that could undermine existing business models and how organisations can take advantage of the changes ahead.

All of these issues have significant implications for human capital and are likely to require a decisive rethink in how it is managed:



² <http://www.pwc.com/gx/en/industries/financial-services/projectblue.html>

³ <http://www.pwc.com/gx/en/industries/financial-services.html>



Priority one

Rebuild trust and redefine employer brand to attract and retain tomorrow's workforce



Priority two

Develop dynamic workforce supply/demand models to prepare for the workforce of the future

Insurance

Industry image seen as unappealing to many millennials and Generation Z⁴. Important to:

- Highlight the 'social contribution' that insurers make in helping businesses and individuals manage risk (both personal and event driven)
- Define purpose, vision and values to foster innovation and desired culture and behaviour
- Focus on ways to attract candidates who are working for technology businesses or looking for careers in technology⁵
- Create new career paths that give employees a variety of opportunities, such as rotational programmes between business and control functions or business and 'incubation labs'/ InsurTech partners

4 'Female millennials in financial services: Strategies for a new era of talent', PwC, May 2015 (<https://www.pwc.com/gx/en/financial-services/publications/assets/pwc-female-millennial-report-v2.pdf>)

5 'LinkedIn Top Attractors 2016: Where professionals want to work' (<https://lists.linkedin.com/2016/top-attractors/en/us>)

- Implement workforce planning to combat both immediate and longer term talent gaps (e.g. tackling scarcity of underwriters, actuaries and people with innovation and regulation capabilities, while addressing long-term impact of ageing workforce)
- Integrated business and workforce scenario planning – model impacts of competitor or market shifts (e.g. auto-insurance and driverless cars, disintermediation of broker channels, changes in client life expectancy, reinsurance of new and emerging risks such as cyber, terrorism, etc.) on the required capabilities and talent sourcing
- Formalise governance of contingent workers to anticipate and respond to changes in workforce preferences and manage risk, regulatory and legal demands

Banking and Capital Markets

Reputation is rebounding, albeit slowly, but more work needed to re-establish trust. Important to:

- Strengthen trust by promoting the organisation as a source of finance, a store of value, and facilitator of transactions, including focus on links to purpose and social responsibility such as microfinancing, infrastructure financing in developing markets
- Emphasise privacy and security to increase trust among customers, as well as future employees
- Attract and deploy globally mobile talent that is rotated across major global financial centres
- Promote and foster collaboration, and develop a culture of rapid product innovation and prototyping in order to solve big, challenging problems
- Forge a robust risk culture to comply with regulations – embed risk behaviours in performance and incentives

- Scenario planning around workforce needs to anticipate marketplace shifts and prepare for disruptive scenarios (e.g. need to keep pace with tech-driven customer expectations or respond to possible restructuring in the wake of the EU referendum in the UK)
- Need for customer-centric operating models, new skills and capabilities to quickly adapt to and respond to changing customer behaviour patterns – such as digital, cultural, innovation, and tech-savviness
- As organisations acquire or forge partnerships with FinTech players, decisions are required in how cultures are integrated, how much workforce data should be shared and level of customisation needed in talent programmes such as hiring, incentives and rewards

Asset and Wealth Management

- Asset and wealth management still seen as reputable and rewarding destination for top talent. Less capital restrictions and regulatory scrutiny have attracted banking talent to work in standalone asset managers or hedge funds. However, regulatory headwinds (e.g. new US rules on retirement investment advice) are raising the bar for regulatory compliance and will reshape the employee value proposition for financial advisors.⁶ Important to:

- Clearly define the organisation's purpose and how asset and wealth managers provide financial stability and support for investors
- Invest in relevant social responsibility programmes such as financial education and pension awareness to enhance external reputation and employer brand

- Need for new skills in areas such as tech-driven investment or tax planning to support generational transfer
- Increased passporting raises need for global deployment and expertise in multiple markets
- Need to increase diversity of talent to reflect changing demographics and patterns of wealth
- Founder-led fund managers, wealth manager and hedge funds will need to plan for succession and determine degree of operational formalisation required⁷

6 'Ten key points from the DOL's Fiduciary Duty Rule', PwC, April 2016 (<https://www.pwc.com/us/en/financial-services/regulatory-services/publications/dol-fiduciary-duty-rule-april-2016.html>)

7 <http://www.pwc.com/us/en/financial-services/publications/viewpoints/hedge-fund-growth-investors-owners.html>



Priority three

Maximise the potential of digital 'talent exchanges' to promote a better match between talent 'buyers' and 'sellers'



Priority four

Influence redesign of academic curricula and modernise corporate learning & development to build an adaptive workforce

Insurance

- Shift to proactive talent sourcing from reactive recruiting – create relationships with candidates, nurture them over time, and continually engage them through networking meetings, talent marketplaces, company news, etc.
- Shortage of critical skills will force rapid adoption of alternative sourcing mechanisms – using diversity programmes to broaden talent pool, reaching out to candidates from other industries (e.g. consumer products for marketing or tech sector for IT) and tapping into talent marketplaces with two-way employee/ employer reviews
- Proactively manage reputation on job rating and social media sites to ensure candidates understand the rewarding variety of experiences available in insurance
- Focus on increasing diversity – gender, generational, ethnicity and diversity of experience/industry. Ensuring diversity is seen as critical to the business through measurement, coaching and steps to tackle unconscious bias⁸

⁸ We explore the value of diversity and how to realise in the potential in 'Making diversity a reality', PwC, September 2015 (<http://www.pwc.com/gx/en/industries/financial-services/publications/making-diversity-reality.html>)

- Talent gaps and the potential need to provide reskilling of transactional roles, such as customer service, claims, and operations, will require more creative solutions – including new channels for talent, partnerships with local colleges and apprenticeships
- Alternative training programmes making use of open online courses/external content will broaden and enrich curricula while lowering costs
- Need for investments in management development training, including how to drive innovation, manage uncertainty, anticipate new risks and manage an increasingly multi-location, multi-sourced and diverse workforces

Banking and Capital Markets

- Closer focus on character, risk appetite and ethical compass as well as performance and capabilities to ensure right fit between employer and contingent employee
- Focus on increasing diversity – gender, generational, ethnicity and diversity of experience/industry. Ensuring diversity is seen as critical to the business through measurement, coaching and steps to tackle unconscious bias

- Investments in customised education (e.g. financial literacy and digital proficiency via open online courses) to provide talent development opportunities and develop greater awareness among customers
- Continued investments in management and staff training to embed risk culture in daily decision making,
- Capitalising on the potential of simulation and gamification tools to increase take-up of L&D opportunities and awareness of how to apply them in real-life work

Asset and Wealth Management

- The pace of technological innovation and industry consolidation will reshape hiring practices. Larger organisations will apply creative recruitment techniques, including social media employer branding, and candidate psychometric testing to ensure a closer cultural fit
- Invest in predictive analytics – applied in candidate selection and screening to identify and prioritise qualities that predict success
- Focus on increasing diversity – gender, generational, ethnicity and diversity of experience/industry. Ensuring diversity is seen as critical to the business through measurement, coaching and steps to tackle unconscious bias

- While universities will remain the primary pipeline for talent, there will be increasing numbers of people coming into the industry through apprenticeships and vocational courses
- Tighter risk and regulatory environment drives increased focus on culture and behaviour (e.g. new US Financial Industry Regulatory authority guidance in the US)
- Smaller asset and wealth managers continue to work across a number of functions/roles as part of their 'on the job' learning programmes



Priority five

Digitise the workplace to fuel increased workforce productivity

- Reskill talent being displaced by robotics (e.g. automated underwriting, drone technology and telematics sensors). This would also help to address the looming talent gap being created in insurance by underwriters who are approaching retirement age

- Encourage self-service for routine matters and refocus branch/call centre staff on higher value-added activities such as relationship building and sales
- Reskill talent being displaced by robotics (e.g. bank tellers displaced by ATMs being retrained as customer service representatives or people who can help customers conduct their own online research)

- Reskill talent being displaced by robotics (e.g. robo-advisors)
- Digital disruption and new competition from social media firms and payments specialists will drive new distribution channels, putting further pressure on fees by providing lower cost alternatives



Priority six

Integrate human capital data analytics in priority business decisions

Integrate human capital data analytics in priority business decisions

- With the majority of insurers' investments in integrated human capital management platforms complete, organisations will focus on embedding predictive analytics into their talent processes
- With wearables already disrupting the health insurance sector, life insurance and other financial insurance products will look at how to further capitalise on data from wearables

- Surveillance data tracking will be the norm; employees will accept monitoring of their professional communications and some elements of their social media presence as part of the job
- Important to provide employees with transparency and assurance over how their data is being used (similar to how organisations manage and explain customer data usage)

- Asset and wealth managers are investing in predictive analytics, not only around customers, but also employees, including factors that gauge fit in the organisation and likely performance
- Increasing regulatory scrutiny means business decisions will require consideration of talent risks – such as new market entry and availability of skilled talent supply to deliver work



Priority seven

Redesign jobs and compensation models to reward contribution to business value

- Cost and margin pressures will make it even more important to retain critical top performers – value-based compensation model will maximise the reward for top performers and help to weed out poor performers
- New reward models will be required in products/service innovation units
- Traditional tenure-based compensation models will be create inter-generational workforce opportunities and threats
- Create a 'clean sheet' of new capabilities, broad-based roles and compensation targets embedded into new cloud-based HR technology systems

- The overall drive to decrease costs, as well as downward pressure on returns, will drive compensation changes
- Value-based compensation model will maximise the reward for top performers and help to weed out poor performers, while fostering a leaner operating model
- Newly established job framework will reflect need to identify and report on 'material risk takers' and meet growing regulatory demands for total reward reporting and an auditable link between rewards and performance

- Fees earned by asset and wealth managers will be under continued pressure amid the ongoing push for greater transparency from investors, policymakers and regulators, driving the use of alternative compensation models to reward talent – including value-based compensation models
- Investors and regulators will seek more transparency on how advisors are compensated and equity of pay between genders

The way forward: Priorities for action

Drawing on our projections for 2020 and beyond, we've defined seven key human capital priorities that will enable FS organisations to position themselves for success in the future.

How can FS organisations respond?

Actively define and articulate the employer brand

Many FS organisations don't have a clear or compelling view of why an employee should work at their organisation rather than a competitor – whether that be for reputation, higher pay, a specific opportunity, leadership development or some combination of these.

A strong EVP enables organisations to be competitive in the talent marketplace, increases retention, and ultimately, enables the business to execute its strategy. To appeal to today's talent, forward-thinking organisations are:

- Reviewing their EVP and making changes to enhance the employee experience. This includes social impact opportunities, creating rotational programmes, clear paths for progression and opportunities to develop leadership potential.
- Establishing more flexible working as part of the corporate culture, and reducing overall hours worked. In some markets, we're already seeing moves to limit weekend working and curb out of hours communication as part of a drive to improve employee health and well-being.



Priority one

Rebuild trust and redefine employer brand to attract and retain tomorrow's workforce

The employer brand within many FS organisations has been marred by reputational damage. In turn, the Employee Value Proposition, which in the past has often been associated with high earnings and social prestige, has been eroded.

As FS organisations compete for talent with industries that are seen as more cutting-edge and more socially-conscious, a huge amount of work is needed to strengthen both the employer brand and underlying EVP.

As employee expectations continue to evolve in the lead up to 2020 and beyond, a key focus of the revamp of the EVP and employer brand should be how to align the purpose with candidates' and employees' changing preferences and social ideals.



By 2020, 60% of financial services CEOs believe that top talent will want to work for organisations with social values that are aligned to their own⁹.

But financial services is the least trusted sector in the Edelman Trust Barometer¹⁰.

So how can your organisation rebuild trust and reassert its value to society?

⁹ Shifting demands, competing priorities: Adjusting to the new talent realities in financial services, Key talent findings in the financial services industry, PwC 19th Annual Global CEO Survey, February 2016 (<http://www.pwc.com/gx/en/financial-services/publications/assets/key-talent-findings-in-the-financial-services-industry-feb-2016.pdf>)

¹⁰ Edelman Trust Barometer 2016 (<https://www.scribd.com/doc/295815519/2016-Edelman-Trust-Barometer-Executive-Summary>)



- Revamping offices to create more versatile and visually appealing workspaces, which promote innovation and collaboration and are able to match what many recruits see as the more attractive working environment within the technology industry. As people's personal and professional lives become more blurred, they want to work remotely when they choose, and have access to the data and social collaboration tools that make their lives easier and more productive. As such, access to sophisticated technology will be a key element of an attractive EVP.

Align employer and employee values

The brands customers and employees want to be associated with are conscious of their social impact and responsibilities, underlining the importance of projecting the organisation as a force for good.

Adapt global human capital strategies to regional and local realities

In an increasingly global and mobile world, there should be one consistent global brand, culture, and set of systems, processes and policies – core requirements for a truly global organisation.

The one to choose: Strengthening talent appeal

The challenges of attracting and retaining top talent in the face of an ageing workforce and the changing expectations of people coming into the market spurred a major insurer to rethink how it could sustain its position as an employer of choice.

To address the challenges, the group decided to launch a new employer branding campaign built around a refreshed EVP. The group drew on employee feedback, leadership interviews and input from an employer branding consultancy to assess the strengths and weaknesses of its talent appeal. From these insights, it was able to identify the key attractions of the organisation and develop and test the core language and messages to effectively promote the group among prospective talent. Crucially, the group also identified and enlisted a network of brand ambassadors to champion the revamped EVP across the organisation.

The result is a much clearer and more relevant exposition of why this is a great company to work for. The initiative has also strengthened pride and engagement within the organisation, which can be shared internally and communicated externally through social media and professional networks.



Data scientist is the most sought after job for millennials in a 2015 survey by Forbes, with financial planner being the only FS post to make the top ten¹¹

However, there is no one-size-fits-all. It's important to allow for local nuances in legislation, regulation and culture, while having the core components of the organisation's operating model set at the global level. For example, the kind of direct feedback that would be the norm in North America may be deemed insensitive and demeaning in some Far Eastern markets. In turn, regulations and trade union pressure create enduring barriers to change. In Brazil, for example, working regulations on clocking in and out at the place of work make remote and flexible working difficult to introduce.

Roles and responsibilities in implementing change

Business' role

- Embrace purpose-driven culture and lead activities that reinforce these goals. In championing the organisational purpose, managers should talk to employees about their individual aspirations and how they align with those of the company.
- Define the EVP and commit to ensuring it is a reality. It's also important to lead desired behaviour by example and ensure that breaches are appropriately addressed.
- Participate in the definition of desired global culture, values, behaviours and processes. Embody the global behaviours and values and reinforce them in messaging to teams, candidates, and other internal/external stakeholders. Provide input into local requirements and nuances in the customisation of processes at the regional level.

¹¹ Best jobs for millennials, Forbes, 17 July 2015 (<http://www.forbes.com/sites/susanadams/2015/06/17/the-best-jobs-for-millennials/#266a66216203>)

14%

Penalties for misconduct have cost leading FS groups the equivalent of 14% of their equity capital since 2008¹²



HR's role

- Work with leadership to define the organisation's purpose, embed it into talent processes and measure progress in how effectively it's instilled into day-to-day operations.
- Drive the formal definition of the employer brand and identify where changes are needed to attract the type of talent the organisation wants in key areas.
- Promote changes in culture and behaviour. One example is giving women opportunities in traditionally male-dominated fields.
- Champion changes in the employer brand and measure progress.
- Facilitate the definition of the global culture and supporting values. Embed the culture, associated behaviours and values in talent processes.
- Develop global workforce plans that are integrated, but which are also tailored to individual market preferences and nuances (e.g. regulatory requirements, talent market availability, etc.)
- Define global talent processes where they don't already exist. Customise talent processes for local needs, applying regional legal and compliance expertise.



39% of FS CEOs say they have changed their organisational purpose over the past three years or are considering doing so to take account of their impact on society¹³

¹² Financial Times, 27 March 2016

¹³ Shifting demands, competing priorities: Adjusting to the new talent realities in financial services, Key talent findings in the financial services industry, PwC 19th Annual Global CEO Survey, February 2016 (<http://www.pwc.com/gx/en/financial-services/publications/assets/key-talent-findings-in-the-financial-services-industry-feb-2016.pdf>)



Priority two

Develop dynamic workforce supply/demand models to prepare for the workforce of the future

By 2020, an increasing number of people will be working flexibly or within virtual teams spanning many different countries.

For employees, this demands new skills, such as a global mind-set capable of understanding different cultures and ways of working, along with adaptability to adjust to continued disruption. For management, there is the challenge of how to manage, engage and deploy staff appropriately when they are working in new, more flexible ways (e.g. alternative hours or remote working).

Too often, however, FS organisations don't create the clear strategic workforce plans needed to connect shifts in business strategy with recruitment, training and career development programmes.

How can FS organisations respond?

Strategic workforce planning

Workforce planning is the proactive analysis of talent supply and demand. It enables organisations to build and deploy the required skills to ensure they can achieve short- and long-term business objectives.

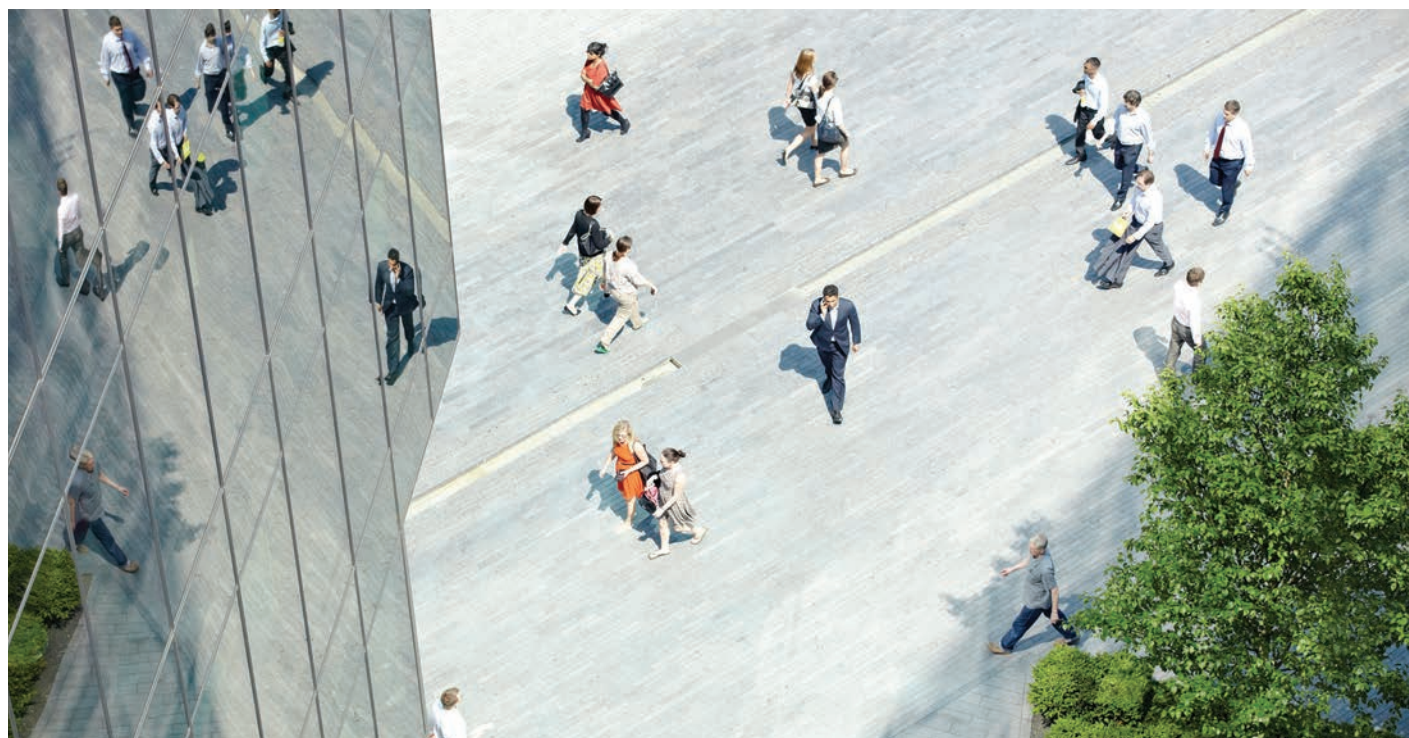
As organisations become more global and come up against skills gaps and technological disruption, workforce planning enables them to develop a

systematic way to anticipate what kind of people are needed and where they should be deployed to meet business objectives¹⁴.

Optimise, engage and integrate contingent workers

Consultants, contractors and other contingent personnel are set to play an increasingly important role in enabling FS organisations to respond quickly to opportunities, control fixed costs and meet changing workforce expectations. Yet few FS organisations have appropriate governance processes in place to deal with an increasingly scrutinised and regulated 'gig economy'.

Purpose-designed platforms can help to create a more systematic approach to contingent management. This includes interactive profiling, screening and



¹⁴ 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>)a

the tracking of availability, as well as managing hours, payments and performance.

It's also important to include contingent workers within the workforce planning process so there is a comprehensive view on how to meet short- and long-term talent demands.

Often, managers will bring in contingent workers because it's easier than hiring a permanent employee – though, ultimately, this often costs the organisation more. Understanding of the cost of contingent workers and what they can deliver that permanent employees cannot is therefore vital.

Recent legal disputes have centred on the blurring of the lines between contingent and permanent personnel. This raises questions over whether contingent workers are genuinely independent contractors or should have the same entitlements as permanent employees. It's important to ensure contractual clarity and avoid treating contingent personnel like quasi-employees. It's also important to define the classification clearly with examples and educate people managers on the distinction, along with when it is appropriate to hire contingent staff.

Further priorities include identifying solutions to capture knowledge built up by contingent workers before they go elsewhere. This includes developing transition plans and handoffs of key tasks, processes and information prior to contingent workers leaving. To support this, it's useful to develop a formal reviews of contingent activities and build in knowledge transfer into contracts (e.g. milestones and requirements including knowledge transfer that are tied to pay).

Flexibility matters

While a growing number of FS organisations offer some form of flexible working, our research highlights a disconnect between the formal HR policies and management support¹⁵.

Sharper deployment: The people you need, when you need them and at less cost

The IT function of a large global FS group realised that there were a lot of overlaps and duplication in the deployment of people around the world, which were leading to unnecessarily high labour costs.

To address the problem, the group has developed a centralised global talent database to make it clearer what skills are available and where and how they are being deployed.

The new database covers both permanent employees and contingent staff. It can be accessed by teams looking to staff new projects, identify replacement personnel or evaluate options when considering taking on a project internally or externally. It is supported by a global technical competency model, against which staff are assessed.

Moving to a global database is expected to improve efficiency and cut labour costs by speeding up recruitment, decreasing overlaps in deployment and reducing the fees paid to external vendors. It will also ensure the IT organisation has the right people in place when needed and deliver better customer service to its clients.

In our experience, there are two key obstacles that prevent financial institutions from offering flexibility¹⁶:

1. Fear of the effects of reduced face-to-face collaboration
2. Concerns over co-ordinating and transitioning work among employees

We therefore believe that beyond policies, it's important to build a culture of flexibility, which is embraced and championed by the leadership :

- Move from monitoring hours and attendance to outcomes-based working
- Give staff greater autonomy over how they meet performance goals
- Identify why people think taking advantage of flexibility policies could harm their careers and seek to address this

¹⁵ 'Female millennials in financial services: Strategies for a new era of talent', PwC, May 2015 (<https://www.pwc.com/gx/en/financial-services/publications/assets/pwc-female-millennial-report-v2.pdf>)

¹⁶ We outline how to make flexibility a reality in FS organisations in 'Flex-able future: Integrating flexibility in financial institutions' (<http://www.pwc.com/us/en/financial-services/publications/viewpoints/workplace-flexibility-integration-financial-institutions.html>)



2 out of 5 people around the world believe that traditional employment won't be around in the future. Instead, people will have their own 'brands' and sell their skills to those who need them¹⁷

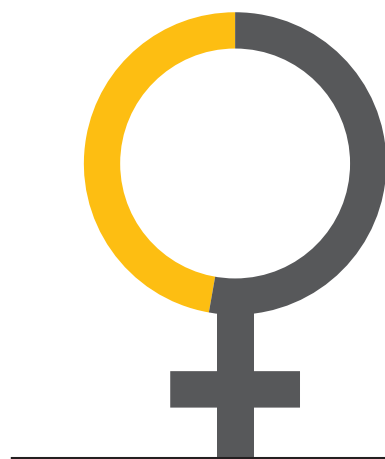
Roles and responsibilities in implementing change

Business' role

- Bring workforce planning into the annual business planning process. At a minimum, this should include taking account of talent availability when thinking through future business scenarios and as one of the critical inputs to business planning.
- Bring HR into business meetings so they can develop a clear understanding of the direction of the organisation and be better able to contribute to delivering strategic goals.
- Understand the difference between permanent employees and contingent workers, and when and why each would be used, to ensure both are deployed appropriately and manage business risk.
- Prioritise permanent employees over contingent workers to help manage costs and achieve business goals.
- Make the business case for diversity and flexibility, and be seen to be leading change.

HR's role

- Implement workforce planning processes and train HR teams in how to develop, collaborate and implement them.
- Develop capabilities needed to adapt quickly to changing demands and customise employee contracts and experience. Would need move away from uniform tech-focused operating model towards a more flexible approach, supported by voice of the customer and other regular input and feedback.
- Keep fully up-to-date with emerging business plans and understand where the business is heading to influence scenario planning and predict impact on human capital.
- Embed contingent workers into the organisation's overall business and talent strategy, including guidance on when contingent workers should be used rather than permanent employees.
- Establish clearly defined processes and governance around who owns the contingent workforce population, and how they are managed.
- Develop database of all available talent, including contingent workers, and their capabilities, costs, etc.
- Define flexibility and remote working policies and ensure they are reinforced across the talent lifecycle.



53% of female millennials (women born between 1980 and 1995) working in FS believe that taking advantage of flexibility and work-life balance programmes would have negative consequences for their careers¹⁸

¹⁷ In 2014, PwC interviewed 10,000 people in China, India, Germany, the UK and US to find out how they think the workplace will evolve and how this will affect their employment prospects and working lives. We also interviewed more than 300 HR professionals about their objectives and how they're preparing for the shake-up in the world of work ahead. The key findings are set out in The Future of work: A journey to 2022 (<http://www.pwc.com/gx/en/issues/talent/future-of-work/journey-to-2022.html>)

¹⁸ 398 millennials working in banking and capital markets, 115 in insurance and 83 in asset and wealth management were interviewed for PwC's female millennial survey (2015)



Priority three

Maximise the potential of digital 'talent exchanges' to promote a better match between talent 'buyers' and 'sellers'

In an increasingly competitive job market, FS organisations have to engage earlier and cast their net wider in the pursuit of key talent. This includes increasing workforce diversity and reaching out to people who haven't considered a career in the industry.

By 2020, technology will be increasingly critical in the development of talent communities, enabling organisations to engage, profile and target the best candidates. It will also play a key role in strengthening transparency, evaluation and interaction as job rating sites become an ever more important element of selection and recruitment.

How can FS organisations respond?

Create lifelong talent communities

It's more important than ever to engage with potential recruits at school and university as part of the development of talent communities.

Visits and outreach programmes will continue to have a role. We're also likely to see growing use of gamification, virtual office tours and virtual job shadowing to position FS as 'current' and give potential recruits an earlier view of what work will be like.

Gamification and psychometric testing can not only help to identify candidates with suitable skills, but also the desired personality. The results are a closer match and better outcomes for both employee and employer.

Gamified talent acquisition

How to find the right talent in a world filled with tech-savvy millennials and now Generation Z is rapidly evolving. This is a world where there is a growing demand to be a 'digital employer'. FS organisations face the particular challenge of how to overcome traditional perceptions of black suits and blue ties, and be seen as a technology-immersive and digital leader.

This is the challenge facing a major financial services group, which is finding it increasingly difficult to attract a 'new workforce'. Traditional recruitment initiatives were yielding the repetitive and conventional results through the screening of thousands of applicants, with only handful of suitable candidates at the end. What they needed was a new, innovative and non-traditional digital approach to attract and engage the new generation.

An answer lay in a new gamified psychometric screening tool that applies game mechanics to a traditional value-based assessment, woven together with the group's core values. Candidates access the assessment game via an unbranded web-based portal. Once agreeing to the terms and conditions, they are instantly immersed into a world of rich avatars and value challenges. A set of challenges must be completed to fulfil the ultimate quest, continuously providing tangible and reliable information linked to potential work-based behaviours, values and culture.

Applying game mechanics has the potential to significantly reduce the number of potential applicants a company needs to evaluate by producing an upfront profile of a candidate's alignment to company values. This profile could include cultural fit as well as behavioural characteristics. The measurable impact would then be reducing acquisition costs and increasing the success rate of finding appropriate candidates

And this is only the beginning. There are opportunities to apply game mechanics to other elements of human capital management. The ultimate aim is to create a single gamified world that manages and engages new employees, from induction and on-boarding through to performance evaluation, while developing and guiding their learning, career path and personal development plans.



New ways of engaging

The ways people seek out jobs and judge organisations are being transformed by technology.

Your organisation and the jobs you offer will have online ratings just like hotels and restaurants.

Gamification and virtual interaction will be the primary vehicles for candidate engagement.



Create a transparent view of the role

In a job market where people are more mobile and want responsibility sooner, it's important to provide an honest showcase for what kind of environment and opportunities are on offer.

In 2020 and beyond, FS organisations will make use of developments in interactive technology to provide 'day in the life' experiences during the recruitment process. These will help candidates gain a more realistic view of what it's like to work in the organisation and answer key questions such as what kind of experience they will gain and how quickly they will be given key responsibilities.

Beyond just a video, these immersive experiences would include going in for a day and shadowing someone in the role. Employee review sites will provide an objective rating of what the job really entails and whether the way it is presented is authentic. Crucially, they can also provide valuable pointers on how posts could be made more attractive.

Level the playing field for information

As millennials and Generation Z become a larger part of the workforce, the expectations around transparency of information during recruitment will change. In the same way that online information exchanges are used to inform decision making when selecting restaurants, drivers, etc., the future of FS recruitment and job selection will be fuelled by technology-enabled talent marketplaces. These provide two-way employee/employer feedback on what it's like to work at a company. Online job rating sites are coming to the fore, through which former employees provide reviews of the organisation and its management, and employers rate former employees on their skill sets and contributions. Employers should actively manage their reputations on these sites and respond to negative reviews.

Roles and responsibilities in implementing change

Business' role

- Be open-minded about candidate experience, and abandon prejudices around full degrees and affinities with their own colleges where appropriate.
- Sponsor future employees through apprenticeships, and invest time in their development and apprentice experience.
- Build an online social presence to share information about the organisation and management (within the organisation's communication and social media policy) to provide greater transparency to candidates.

HR's role

- Define and manage the interaction between the organisation and external websites that provide transparency into what working in the business is really like. Partner with corporate marketing to manage responses and ensure their representation is accurate.
- Develop and maintain talent communities to connect with candidates and keep them up-to-date with company news, events and opportunities.
- Develop gamification recruitment strategies to engage candidates, and ensure those programmes test for the target attributes – including values and skills.



Priority four

Influence redesign of academic curricula and modernise corporate learning & development to build an adaptive workforce

Skills requirements and career development priorities are evolving fast and by 2020 FS organisations will need to deal with a complex mix of workforce expectations.

They need people with the agile mindset to adapt to what is now constant change within the marketplace. Millennials expect to switch jobs more frequently than previous generations and want greater autonomy and flexibility¹⁹.

As people live and work longer, talent planning should also reflect the different phases of the modern career, the need for earlier and continual updating of skills and the desire for new challenges.

How can FS organisations respond?

New paths into employment

It's time to challenge traditional learning and development (L&D) models and begin employee L&D earlier (i.e. before graduation).

Full three- or four-year degrees aren't necessary for some transactional positions such as claims or customer service. We anticipate more partnerships – formal and informal – between FS organisations and community colleges, certification agencies and other third parties. For instance, an FS organisation could partner with a community college to define a curriculum that feeds into a specific role(s), while providing apprenticeship and on-the-job opportunities to put that learning into action immediately.

FS organisations gain from work-ready and tested recruits. Future recruits gain by having a clear view of what the work

will involve and a more certain path into employment, without the time and student debt needed to earn a more lengthy degree.

The launch pad for a successful career

While people will switch jobs more often, they will still seek out employers offering superior training and development.

Rather than a mapped out career, FS organisations can compete for talent on the basis of their ability to offer targeted training or an all-round grounding in business, which can open doors across different sectors, including those outside FS.

Stay close

Traditional one-size-fits-all employee engagement models will give way to highly customised contracts.

Retention strategies will have to be pragmatic, focusing most closely on the talent organisations most want and can realistically expect to stay. It will be important to keep others close through the development of alumni networks.

Keep learning

The need for continual re-skilling will require more innovative and cost-effective approaches to L&D. This includes customised and interactive digital simulation and virtual learning. As organisations review and rethink their corporate training programmes, there will be opportunities to supplement their offerings with massive open online courses (MOOCs) and other externally available content.

Roles and responsibilities in implementing change

Business' role

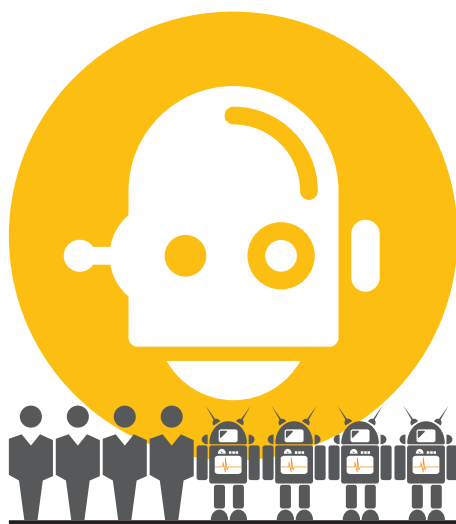
- Develop career paths that reflect changing expectations and aspirations, including community involvement, career breaks and fresh challenges outside the organisation.

- Sponsor future employees through apprenticeships and invest time in their development and apprentice experience.
- Foster an environment of vigilant tracking and transparency around coaching and development, with a strong emphasis on real-time feedback and technology-enablement.
- Assist in designing curricula for university partners that help develop real-world skill sets with immediate application to the job.

HR's role

- Define the recruitment strategy and reach out to non-traditional sources of talent such as apprentice schemes and community colleges.
- Develop and run the apprentice programmes, changes to recruitment process and the development of greater transparency.
- Design contracts that reflect individual aspirations and the need for adaptability and continual upskilling.
- Make coaching and development more transparent, with a strong emphasis on real-time feedback and technology-enablement.
- Design and implement career paths outside the organisation to provide new experiences (e.g. one-year rotation in a FinTech business and back into the FS organisation).

¹⁹ 44,000 PwC staff from 18 countries were polled for NextGen: A global generational study, 2013 (<http://www.pwc.com/gx/en/hr-management-services/publications/assets/pwc-nextgen.pdf>)



The new face of work

Work is being increasingly automated and digitised.

Nearly half of jobs are likely to be computerised over the next 20 years²⁰. So when we talk about the workforce, we could just as easily be referring to a robot as a human.

Are your people ready to work alongside artificial intelligence as part of a hybrid workforce?



Priority five

Digitise the workplace to fuel increased workforce productivity

By 2020, the bulk of routine transactional tasks will have been fully or largely automated. Robotics and artificial intelligence (AI) will also take on an increasing number of high value functions in areas such as trading, underwriting and financial advice.

From virtual collaboration to the ability to anticipate and proactively respond to customer demands, digitisation will have reshaped how employees work, interact with clients and engage with their organisations.

A key part of this digital experience is the interaction with HR. Employees want the same speed, intuition and customisation they've become accustomed to when dealing with organisations outside work. The importance of these interactions is heightened by the fact that HR is one of the main points of contact between the company and its staff, forming an indelible impression of the relative professionalism of the organisation and how much employees feel they're valued. If they're dissatisfied, they may look for work elsewhere or simply bypass HR operations if they want to get something done.

How can FS organisations respond?

Bringing AI into 'talent' management

The advantages of AI aren't just increased speed and lower costs, but also its ability to constantly learn and refine, opening the way for ever greater precision, customisation and adaptation.

The challenge isn't just ensuring businesses have the right systems in place, but judging what role people will play as they're increasingly required to work alongside AI.

In insurance and asset and wealth management, robo-advisors are already being used to automate routine transactions and research. This can not only reduce fees, but also allow agents and brokers to spend more time developing customised solutions and focusing on higher value accounts.

Within HR, chatbots are being used to answer routine questions such as enquiries on vacation policy, freeing up professionals to work on more complex and strategic assignments.

Enhancing the HR operating model

It's important to rethink the HR operating model to respond to real-time 'voice of the customer' (VOC) feedback and adjust service levels and capabilities to meet changes in demand. This change in response capability will include the development of bespoke processes specifically customised for particular segments of the workforce, which will need to be enabled and supported by technology and automation to sustain fast response times.

Regular VOC feedback from business and external stakeholders (e.g. prospective talent) will enable rapid root cause analysis for broken processes and provide real-time input for solution development.

Collaboration tools

Technology is the key to improving flexibility, efficiency and satisfaction. This includes developing and distributing tools that allow employees to work anywhere, which paves the way for virtual collaboration and avoids disruption created by weather, transport issues, etc.

Technological disrupters are automating business processes by building solutions on configurable platforms, streamlining routine tasks and freeing up employees' time to focus on more strategic activities. These tools include features such as remote access, live collaboration on

²⁰ 'The future of employment: How susceptible are jobs to computerization?' Carl Benedikt Frey and Michael A. Osborne, September 2013

documents, and other solutions that provide management with the ability to monitor and contribute to ongoing activity.

Customised interactions

New tools and cloud-based services will enable FS organisations to strengthen interaction, with self-service capabilities providing the first point of contact. Freed from routine, there will be more scope for HR teams to focus on human capital strategy and workforce productivity.

Develop a single platform

Organisations will move towards a single platform for HR technology. There will be a shift from the current 'best of breed' model, in which organisations develop individual modules/platforms

across the talent lifecycle (e.g. candidate relationship management, recruiting, performance management, compensation, etc.) towards a more integrated model.

Clear measurement

HR operations face competing calls on resources. The ability to measure performance and benchmark it against peers can provide a more informed and systematic basis for judging what should be the priorities. It can also gauge the return once these new developments are in place.

Transforming HR in a merged organisation

Following the merger of two European asset managers, HR faced the challenge of supporting a significantly larger global workforce and the need to respond to legal and regulatory demands from 'Day 1' of the combined organisation's formation.

To achieve this, the merged organisation recognised the importance of creating clear and consistent HR processes and a robust HR system in which to hold and maintain people and organisational data. Each organisation had a number of local legacy systems and HR solutions, vastly different levels of process and data maturity, expiring contracts and reliance on parent organisations. This meant that doing nothing was not an option.

The starting point for transformation was a full assessment of the current HR systems and data landscape. This provided the foundations for evaluating Day 1 and future-state systems and service options, and the resulting development of an implementation roadmap. Key components of the evaluation included:

- Software as a Service (SaaS) Tier 1 vendor comparison
- Market testing for outsourcing of HR administration
- Cost comparison for HR administration (outsourcing versus remaining in-house)
- Define HR service specifications (business, technology and functional requirements)
- Develop Request for Proposal (RFP) for shortlisted SaaS solutions
- Develop HR transformation business case

The results have enabled the merged organisation to create systems and services that are not only fit for Day 1, but can also adapt to changing business and workforce demands.

Adjusting to a new regulatory environment

A UK subsidiary of an international investment bank faced the challenge of updating its HR processes to meet the requirements of the Senior Manager and Certification regime.

The new framework places the burden on banks to act as their own mini-regulators. A small number of high-ranking bank employees, referred to as Senior Managers (SMs), are responsible for the conduct of the rest of the employee population. This includes those performing 'significant harm functions', such as traders. This latter group needs to be certified by the bank, on an annual basis, as fit, proper and competent to perform their roles.

The HR team worked closely with the compliance function to review and revise affected HR processes and create a number of new ones relating to the certification process:

1. Senior Manager regime

- a. Designing an induction programme for new SMs
- b. Creating a process for handover between SMs
- c. Improving the existing succession planning process to identify future SMs

2. Certification regime

- a. Designing the process for certification of those performing significant harm functions
- b. Updating the internal and external recruitment processes, ensuring evidence of competence from interviews is captured in all cases
- c. Updating on-boarding processes to ensure those in need of certification are identified

The close collaboration between HR and compliance enabled the bank to put its revised HR processes in place to meet regulatory deadlines, while developing greater awareness within the organisation.



Roles and responsibilities in implementing change

Business' role

- Play an active role in defining business requirements for HR technology user experience and reporting capabilities (i.e. what kind of insights and data are the business looking for).
- Encourage staff and direct reports to capitalise on HR self-service in order to increase workforce productivity.
- Align the HR technology strategy with the overall business and talent strategies (e.g. defining workforce requirements to build and maintain the HR technology platform, building capability to make smart use of data, etc.).

HR's role

- Use the capacity freed up from the greater level of self-service to drive more strategic HR activities (workforce planning, etc.).
- Develop and implement programmes to attract employees with the combined technical and business acumen needed to operate in an agile cloud development environment.
- Work with business leaders to implement procedures to promote productivity among remote workers (e.g. 30 day trial periods and early stage performance review).
- Work with the business to create a culture of self-service and mobile engagement with HR systems
- Develop programmes that enable workers displaced by technology to be re-skilled/redeployed internally (e.g. training bank tellers displaced by ATMs to become customer service representatives)



Only 31% of asset and wealth management executives classify their decision making as 'highly data driven', with 33% in banking and capital markets and 46% in insurance. In all three sectors, those that classified themselves as 'highly data driven' listed predictive analytics as the major basis for decision making²¹



Priority six

Integrate human capital data analytics in priority business decisions

Effective human capital analytics allow organisations to make decisions about their talent in the same way they make business decisions – fact-based, data-driven and able to anticipate changing circumstances.

By 2020, leading organisations will be using a combination of descriptive (e.g. return on investment in employee development training as related to market share), predictive (e.g. understanding changing market demands to anticipate future talent requirements) and prescriptive (e.g. shaping performance management and compensation decisions to help retention for an employee who has been tagged as both 'high potential' and 'likely to leave' the organisation) analytics. Yet, despite investment in technology, few FS organisations are realising the potential of Big Data and new analytical capabilities.

How can FS organisations respond?

Investing in analytics' skills

Many FS organisations have already made investments in their technology infrastructure to support data-based decision making. While data sourcing issues remain, by 2020, these will largely have been resolved. Indeed, the big challenges are around how the data is used and having the expertise to make the most of it.

HR teams often lack the necessary expertise for advanced analytics – both conducting the actual analysis and applying that analysis to decisions. Hiring people could be costly, so it's vital to start building the necessary capabilities now. Recruitment should focus on people who can provide a catalyst for better analysis and securing

'quants' to start embedding data analytics in the HR function's core services.

Embed HR decisions in business processes

As FS organisations look to bridge skills gaps, the analytical potential includes using performance management and engagement trends to drive effectiveness of hiring and retention strategies. Further opportunities to support the business include using benchmarking results to optimise efficiency and move towards lean operating models, and developing productivity metrics to identify growth areas and focus on units providing the most favourable returns on investment. From a risk management perspective, the potential includes using people data to gauge the effectiveness of risk culture programmes and deploying surveillance techniques to analyse patterns of behaviour and identify potential bad actors in advance²².

Respect employee privacy

Employees and recruits want assurance that their data will be used responsibly and for their benefit. The growing use of wearable sensors could heighten sensitivities over data usage and the potential for controversy. What if a promotion was blocked because of information gained from a heart reading, for example? It's therefore vital to be clear about how the data will be used and to demonstrate the benefits for staff.

Effective measurement

The efficacy of people analytics should be systematically tracked, so organisations can understand the return on their investment. It's important to track the results of predictive modelling and how much of the time the models were accurate and inaccurate. Surveillance tracking should highlight the number of potential threats that were captured as a result of surveillance, and the financial savings of avoiding adverse outcomes. Such metrics can be used to adjust and refine people analytics strategies over time.

²¹ Demand for and developments in data-driven decision making are explored further in PwC's Global Data and Analytics Survey 2016 (<http://www.pwc.com/us/en/advisory-services/data-possibilities/big-decision-survey.html>)

²² Demand for and developments in data-driven decision making are explored further in PwC's Global Data and Analytics Survey 2016 (<http://www.pwc.com/us/en/advisory-services/data-possibilities/big-decision-survey.html>)

Managing risk through better surveillance and predictive analytics

Faced with increasing regulatory expectations, a global hedge fund wanted to conduct faster, more thorough insider trading investigations to better understand and manage overall exposure and compliance.

Using unified surveillance, the hedge fund was able to uncover hidden behavioural patterns to better pinpoint and predict insider trading risk. For example, the fund:

- Processed, linked and reviewed more than one million e-mails, the restricted list, trades and instant messages covering one year of activity.
- Developed dashboards highlighting relationships between companies on the restricted list, trades and emails concerning those companies, and statistically high-risk ranking employees.
- Applied Natural Language Processing to highlight suspicious phrases and relationships to guide analysts to prioritise investigations and determine the relative risk of restricted list trade violations.

As a result of the unified surveillance efforts, the organisation has been able to detect insider trading risks in less time and with higher accuracy, avoiding penalties associated with non-compliance, safeguarding reputation, and reducing their exposure to insider trading risk. This includes identifying multiple cases of restricted list violations, trades in close proximity to market volatility, and other policy breaches, which were reviewed with the CCO and COO, helping to address potential regulatory compliance issues.



Only 43% of FS CEOs say their organisations make major use of data analytics to provide better insights into how effectively skills are being deployed within their organisation²³



Research carried out by PwC South Africa found that 72% of employees would be happy to use a piece of wearable technology provided by their employer and allow employers to collect data from it. If benefits could be demonstrated, this rises to 87%²⁴

Roles and responsibilities in implementing change

Business' role

- Partner with HR to identify and prioritise the key people data, projections and scenario analysis needed to inform business decisions and support strategic and workforce planning.
- Make it clear to employees how workforce data is used and the key business decisions that are driven by it, in order to create a feedback loop where employees want to provide more data.
- Help develop role profiles that combine business/financial acumen with analytics capability, and source/develop talent to fill these roles.
- Proactively seek opportunities with business partners to test more innovative data practices – such as predictive modelling to assess candidate fit for a role, and over time track how the predictions fared in a sample set of employees.
- Determine the governance mechanism around data collection and analysis, and informing and assuring employees about how the data is used.

HR's role

- Upskill staff to support data-driven approach. This includes identifying the skills required to obtain/drive usage of data and addressing skills gaps.

²³ 410 financial services CEOs were interviewed for PwC's 18th Annual Global CEO Survey (<http://www.pwc.com/gx/en/financial-services/publications/a-new-take-on-talent.jhtml>)

²⁴ Wearables in the workplace, PwC, 2016 (<https://www.pwc.co.za/en/assets/pdf/wearables-in-the-workplace.pdf>)

Tracking real value creation

- Determine fully risk-adjusted profit and loss measures for individual trading desks and traders.
- Determine individual contribution. For example, how far the signing of a life insurance contract comes down to the quality of the personal advice and how much stems from strength of the brand, the effectiveness of the digital customer profiling/targeting and the organisation's ability to deliver the right outcomes for the policyholder.
- Project completion bonus based on financial impact to the organisation.



Priority seven

Redesign jobs and compensation models to reward contribution to business value

Lower returns are making it difficult to offer sufficient reward to attract and retain top talent or sustain an EVP built primarily around pay. Pressure for greater control and accountability over reward is also coming from shareholders, regulators, customers and the public.

In an increasingly dynamic talent market, people are readier to shift from firm to firm in pursuit of rewards – including non-financial benefits such as desired experience, as well as higher pay and bonuses.

How can FS organisations respond?

Rewarding real value

In the future, we believe FS organisations should more closely tie compensation to the value created by high performers, while simultaneously releasing lower performers.

Rather than paying the going market rate or linking compensation to years of experience, reward in the future will be tied to the real value and return each individual delivers.

This is easier to administer in the frontline of the business, where several organisations argue that they already apply this approach as part of performance-based pay. However, the measures are largely short-term and tied to one metric – revenue generation. Evaluation of performance-based pay largely fails to recognise how the returns were achieved (such as demonstrating appropriate risk behaviours), as well as contributions in areas such as customer insight, long-term relationship building and customer loyalty. Automation, digitisation and AI are also changing the way value is defined and created.

There is considerable room to align pay more closely with performance in the back office. As it's harder to measure performance, pay can be tied to a deliverable – a project completion bonus associated with a specific business objective, for example. The more closely a project or initiative is tied to overall business objectives, the greater the reward. As a result, employees will compete to take part in assignments that directly contribute to realising business objectives, while those that aren't directly attributable will go unstaffed.

In both front and back office, we anticipate a shift away from annual team/business unit-based bonuses towards more real-time recognition and rewards based on specific contributions and milestones throughout the year. This will be supported by more power for local business unit heads to make decisions around pay for bonus and performance-based compensation.

Rewarding outcomes

Bank branch staff or people working in claims handling call centres may see their pay boosted in line with higher customer engagement, better outcomes and the development of the skill sets and behaviour to support this. This will not only strengthen motivation within the workforce, but also help to assure regulators that the organisation is genuinely putting the customer first.

Many organisations are reluctant to move away from current compensation models. While there would be some attrition in the short-term, we anticipate that would be among lower performers, and first movers would benefit from rewarding high performers and attracting top talent.

Aligning reward more closely with value creation will heighten competition to work in the areas where there is most potential to contribute to strategic objectives. While such competition is healthy, it's also important to look at how

to sustain employment levels which are less of a priority and less well rewarded.

Ensuring fair and transparent evaluation

It's important to ensure that employees understand how rewards are evaluated by being clear about the basis and being able to demonstrate its efficacy and objectivity. While the trend in performance management will continue to move towards real-time feedback and improvements in coaching capability to provide more frequent qualitative appraisal, FS firms will need to continue to include some element of quantitative performance appraisal in order to satisfy regulatory requirements that dictate transparent links between pay and performance.

FS organisations will continue to streamline ratings systems, reducing the number and complexity of evaluation dimensions in favour of a globally-consistent framework across roles and regions. To sharpen the focus on business activities and value generation, the focus will be on supplying just enough quantitative and qualitative data to satisfy regulators and meaningfully differentiate employee performance, while reducing the time and effort spent on performance management.



Roles and responsibilities in implementing change

The business' role

- Pilot new compensation processes and sponsor the change from the top levels of the organisation.
- Closely monitor and manage sentiment among high performers, in partnership with HR, to ensure no adverse impact.

HR's role

- Partner with the business and other experts to design pilot reward programmes where variable pay is more closely tied to outcomes.
- Ensure the changes are transparent, employees understand what is in it for them, and the impact it will have to their compensation.
- Closely manage high performers to ensure they are fairly compensated, net compensation does not decrease, and there are no adverse impacts.
- Manage lower performers, who will likely see a net decline in compensation.



In our analysis of 28 global systematically important financial institutions, European banks would need to reduce costs by over 35% to reach the economic breakeven point (return on equity higher equals cost of equity), if there was no growth in revenues²⁵



How far can the curbs on pay go? Legislators in Israel are imposing a ceiling on executive compensation in banks and insurers of Shk2.5 million (\$650,000 USD) or a fixed multiple of 35 times the lowest paid worker's salary²⁶.

²⁵ PwC analysis

²⁶ Financial Times, 23 March 2016 and Guardian, 29 March 2016

Conclusion:

Leading from the front

Technological disruption, changing regulation and the increasing focus on the customer are challenging longstanding business models and pushing the economics of the industry towards a tipping point. But this is also a marketplace that offers immense opportunities for competitive reinvention.

The FS organisations out in front are:

1. Being proactive in their thinking about 2020 and beyond – testing out different business scenarios and understanding what implications these scenarios have on talent.
2. Developing proactive responses to business changes, which look closely at the kind of human capital priorities we outline in this report.
3. Identifying ways to track and monitor change, and communicate the return on human capital investments. All seven of our human capital priorities require some investment, and tracking that investment to business outcomes is critical.
4. Clearly defining the role of the business and HR in owning and executing talent-related changes.

Taking charge

Some argue that HR should take the lead role as the managers of the human capital ‘asset’. But as human capital and business strategies become more intertwined, business and HR leaders both need to be accountable for addressing the human capital priorities set out here.

With the right skills and analytics, HR can play a key role in enabling the business to think strategically about human capital. Yet the most successful organisations put business leaders at the forefront of engaging and developing talent.

New metrics and methodologies are emerging to strengthen human capital management. By 2020, a significant portions of business leaders’ performance management objectives will centre on how well they develop and optimise the human capital within their divisions.

Getting started

As a business leader, we believe that there are ten key questions you will need to address to optimise talent today and build for the future:

1. What forces are changing your business and its markets?
2. What implications do those changes have on your workforce strategy?
3. What skills do you need to achieve your business goals?
4. How can you develop a more data-informed, forward-looking and strategically-aligned approach to workforce planning, capable of dealing with the demands of a fast-shifting marketplace?

5. How can you broaden access to people with the most competitively prized skills and capabilities, including attracting people who are currently put off or haven't considered a career in FS?
6. What role will automation and AI play in delivering your objectives and what are the implications for your human workforce?
7. What role will contingent labour play in delivering your objectives and how can their contribution be managed in a more proactive and systematic way?
8. How can you manage the differing demands of an increasingly diverse workforce?
9. How can you maximise the operational agility and organisational cohesion of your workforce?
10. How can you ensure that rewards are sustainable and reflect real value creation?

By determining a clear and decisive response to these questions, your organisation will be able to keep pace with fast-changing customer expectations and capitalise on emerging opportunities ahead of your competitors. If you simply rely on tried and trusted approaches to human capital or take a reactive approach to unfolding demands, you won't be able to execute your strategy and risk losing relevance within the marketplace.

If you would like to discuss the issues raised in more detail, please contact us

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