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Securing the talent to succeed: Making the most of international mobility in financial services

How financial services organisations can make sure they have the right people with the right skills in the right places to realise their goals.

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Foreword

A number of financial services organisations are moving back onto a growth footing, with many setting ambitious targets for developing their businesses in the rapidly expanding emerging markets of South America, Africa, Asia and the Middle East (SAAAME). In turn, many emerging market-based firms are looking to expand their footprint, be this within the Asian markets or further afield in Latin America, or the more developed markets of Western Europe and North America.

Focused and far-sighted strategic workforce planning is required if firms' growth ambitions are to be realised. As the SAAAME markets become ever-more crucial to growth, local and incoming firms will need to train, hire or relocate unprecedented numbers of skilled people in markets where suitably qualified and experienced people are already in short supply. As organisations move into new territories and become more global in scope, they will also need to integrate people from many different cultures within their organisation in order to make sure their full potential is fulfilled.

Drawing on interviews with senior HR executives from leading international financial services groups from around the world, this report explores the workforce management issues of matching talent with growth objectives and how companies can address these issues as part of their overall business planning. The main focus of this report is the SAAAME markets, both for groups based within these regions and outside, as this is a key focus of growth and investment across the sector.

What emerges from the research is a considerable gap between financial services organisations' growth aspirations and the availability of talent to make this possible. Most firms are relying on short-term responses rather than seeking to develop longer term solutions. This includes an ad hoc approach to international assignments, even though organisations recognise that the availability of suitable people and the associated costs are likely to make this approach unsustainable.

There is a strong need to explore less expensive and more sustainable options, including a more carefully targeted approach to international assignments and more effective development of talent locally. The underlying imperative is the development and implementation of a durable workforce plan, along with the analytical systems, talent mapping and organisational co-ordination needed to make these plans effective.

I would like to thank all the interviewees for kindly providing their time and insights. I hope that you find this report interesting and useful. If you would like to discuss any of the issues raised in this report, or any other talent, growth or mobility issues facing your organisation, please feel free to contact me or one of my colleagues listed on page 22.

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About this report

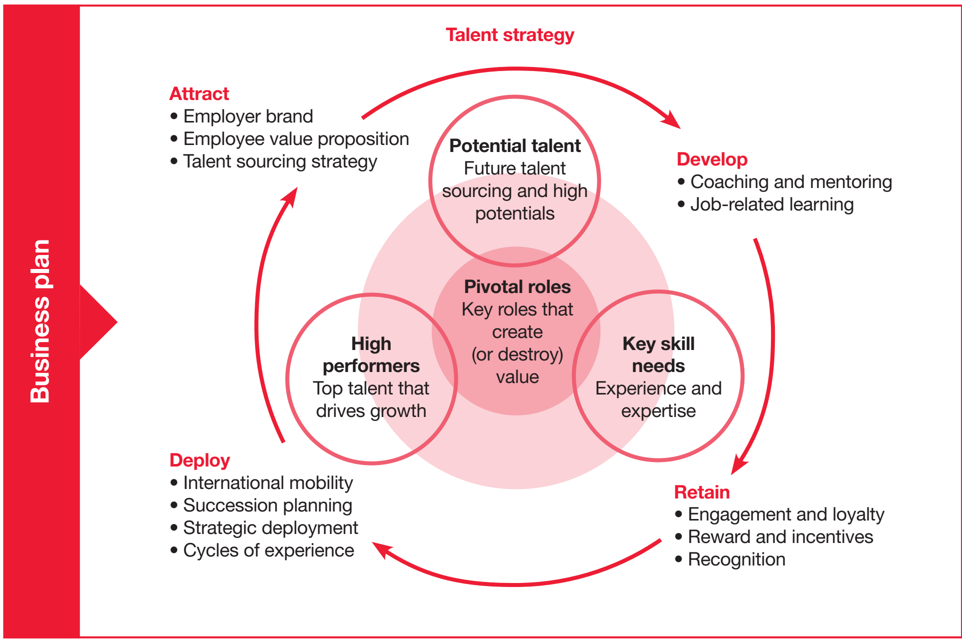
This report explores the workforce management issues and role of talent mobility in allowing financial services organisations to realise their evolving growth objectives and what more they could do to meet these increasingly critical challenges.

The report draws on interviews with executives from a cross-section of leading banking, insurance and asset management groups operating in Europe, Asia, Africa and the Americas. We would like to thank the executives from the following organisations for their input and allowing us to share their perspectives in this report:

- Aviva Group
- BlackRock Inc
- Blackstone Group
- Citigroup
- The Hartford Financial Services Group
- HSBC Holdings Plc
- ING Group
- Insurance Australia Group
- Man Group Plc
- JP Morgan Chase & Co
- National Australia Bank
- Nomura Group
- Old Mutual Plc
- Royal Bank of Scotland
- Sun Life Financial Inc
- The Travelers Companies, Inc

Overview

Figure 1: Managing talent to deliver the business strategy



Five steps

1. Consider whether your talent strategy fully supports your business plan. Are they 100% aligned?
2. Know the pivotal roles in your organisation – identify and target the roles that make the biggest difference to the business.
3. Identify and classify the talent you have and the talent you need.
   - Look at your potential talent – think about talent pools and key sources of high-potential employees including graduates
   - Plan how you will source or develop the key skills you need now and in the future – specialist skills can be hard to find
   - Think about how you incentivise your top performers to increase retention
4. Manage your talent throughout the employee life cycle: attract, develop, retain and deploy
5. Underpin all of this with robust measurment, benchmarking and analytics

Source: PwC

A long-term solution: Matching talent and growth

Financial services organisations' growth ambitions and the challenges this creates were highlighted in our 2011 CEO survey. Nearly 90% of financial services CEOs are looking to significantly expand their operations in faster growing emerging markets over the next 12 months.[1]
Yet, with qualified people already in short supply, CEOs from banking, insurance and asset management see shortages of key skills as their number one barrier to growth.[1]

Many organisations are still relying on short-term responses. A more forward-looking approach to international assignments and skills development would, in the long run, reduce costs, give firms the edge in a competitive job market and allow them to build a more sustainable platform for business development. Key elements of this approach include:

- **Effective strategic workforce plans:** Organisations cannot realise their growth ambitions without the people to make it happen. HR teams need to make a decisive contribution to business planning from the outset, working with the business to define the type of skills that will be required to meet the organisation's growth targets and how it will manage and develop the critical skills in the right locations to meet these (see Figure 1).
- **Systematic talent mapping:** A key feature of the strategic workforce plan is the consistent organisation-wide approach to mapping the capabilities, experience and potential of individual employees and then using this to ensure the right people are assigned to the right roles. The talent map can be matched against the strategic skills assessment to deploy suitable people within an organisation and, if they are not available, second or hire as appropriate. Looking to the future, effective talent mapping can provide a useful basis for succession planning and making sure that people with leadership potential have access to the international experience that will help them to take the business forward in an increasingly globalised sector.

1 200 financial services CEOs were interviewed as part of PwC's 14th Annual Global CEO Survey, 19.01.11

- **Payback on assignment investment:** Over 50% of financial services organisations are planning to deploy more staff on international assignments over the next 12 months.[1] Yet, this can be an expensive option, with assignees typically costing three to four times more than their local counterparts once all the relocation, compensation and benefits costs are totted up.

  A more systematic and centralised approach to assignment management, including selection, objective setting, providing appropriate opportunities on repatriation and, critically, skills transfer to local staff, can reduce costs and enhance return on investment (see Figure 2).

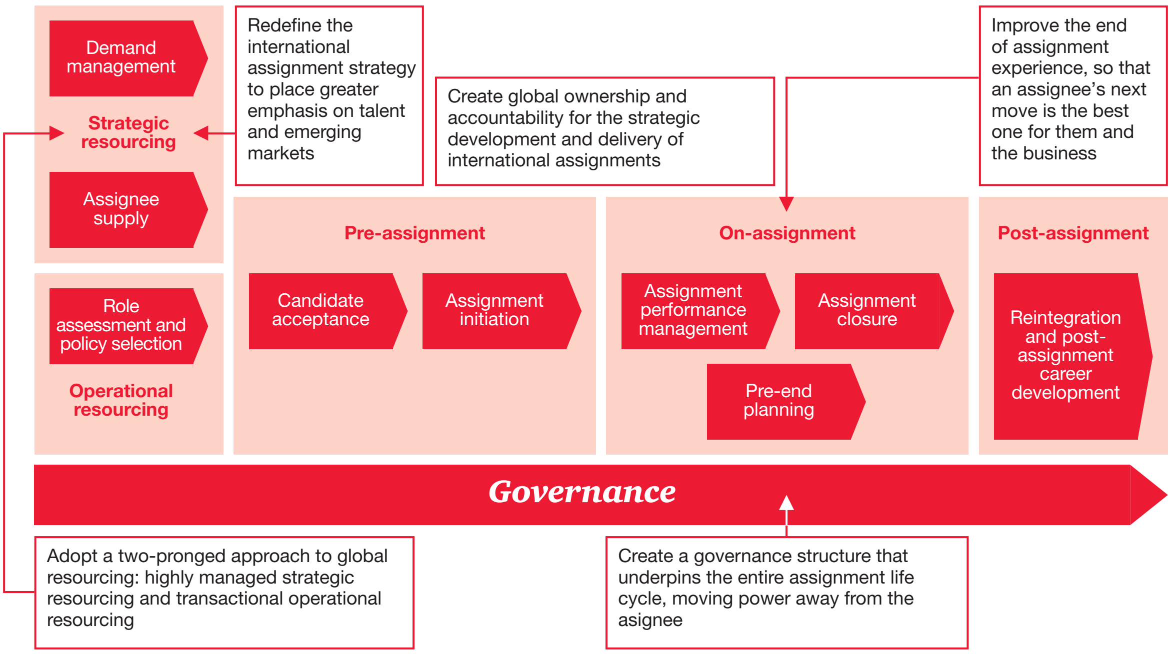
  In a number of cases, savings and return on investment could be enhanced by a move away from duration-based secondments, which can run for a number of years, to shorter, cheaper and more targeted purpose-based assignments. The key objectives and the time needed to fulfil them are determined upfront and progress tracked during the assignment to make sure it is delivering on the investment.

  The major risk is that all this valuable experience will be lost as returning assignees become frustrated and choose to leave, taking their newfound know-how to a competitor. It is therefore crucial to plan with the assignee how best to use their experience and reintegrate them back into their home business. Measuring subsequent retention and promotion rates will help determine whether firms are making the most of the investment.

- **Nurturing local talent:** Clearly, organisations cannot rely on seconded personnel to fill posts indefinitely. The recruitment and development of local talent provides a more sustainable approach to long-term expansion.

  Providing opportunities for employees from emerging market operations to gain experience in established markets is a highly effective way to help them broaden their skills and demonstrate an organisation's commitment to their long-term development. When they return, they can harness their new skills and pass them on in their home business, so reducing the need for incoming assignments.

Figure 2: Governance – The end-to-end assignment lifecycle



Source: PwC

40%

Nearly 40% of financial services organisations report difficulties in deploying experienced talent globally.

A short-term response: Law of diminishing returns

The financial services executives we interviewed as part of this study recognise the need for a longer term solution to talent and growth. Yet, most are currently responding in a primarily short-term manner, which is raising costs and will ultimately impede growth. Key issues highlighted in our study include:

- **Holding back growth:** Most people we interviewed recognise that shortages of talent, especially within key growth emerging markets, could inhibit their ability to meet their strategic growth objectives.
- **Ad hoc assignments:** The decision to send people on assignment is generally taken by department heads on an ad hoc basis, rather than forming part of a workforce plan. This means that the people being sent on assignment may not be the most suitable and the objectives for the host business and the assignee may be unclear.

  The assignment costs are also likely to be unsustainable. Nearly 40% of financial services organisations report difficulties in deploying experienced talent globally.[2] This can only increase as demand continues to outstrip supply.
- **Buying rather than building:** Few participants have developed a specific strategy for attracting and nurturing local talent, relying on hiring already qualified and experienced people, even though they recognise that competition is heightening shortages in key areas and leading to salary escalation and high rates of job switching.

2 Financial services CEOs interviewed as part of PwC's 14th Annual Global CEO Survey, 2011

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Section one
Sustaining growth – sharpening competitive advantage

An approach to ensuring organisations have the right people with the right skills in the right place to meet their growth objectives.

The financial crisis has been a strategic watershed within the financial services industry, shifting the focus of growth and sparking a shake-up in the talent requirements needed to meet these rapidly evolving business goals.

More than 60% of financial services CEOs now believe that the emerging markets of South America, Africa, Asia and the Middle East (SAAAME) are more important than developed markets to their organisation's future.[3] As the SAAAME markets continue to expand, the shifting focus and trajectory of global growth within financial services is going to become even more pronounced. 'Talent will always follow the money. Groups need to have people where their key growth clients are', said Alfred Giardina, a partner in PwC US.

The world of financial services is rapidly changing. For example, within banking, our latest projections anticipate that the leading E7 emerging market economies (China, India, Russia, Brazil, Turkey, Mexico and Indonesia) could have domestic banking assets and profits that exceed those in the G7 by around 50% by 2050.[4] China's banking sector could overtake the US by approximately 2023 (see Figure 3). India has particularly strong long-term growth potential and could become the third largest domestic banking sector after China and the US by 2050.[4] In turn, Brazil could rise to fifth place in the global banking rankings by 2050.[4]

For developed market banks, expansion within the SAAAME markets is opening up a new front in the battle for talent, which not only pits them against each other in the competition for talent, but also against increasingly ambitious and well-capitalised local competitors. As Asian banks look to strengthen their global presence, they will need to develop an operational infrastructure and the people this requires across new regions. They also face the difficulties of integrating people from acquired institutions, many of which may be used to different ways of working and styles of management.

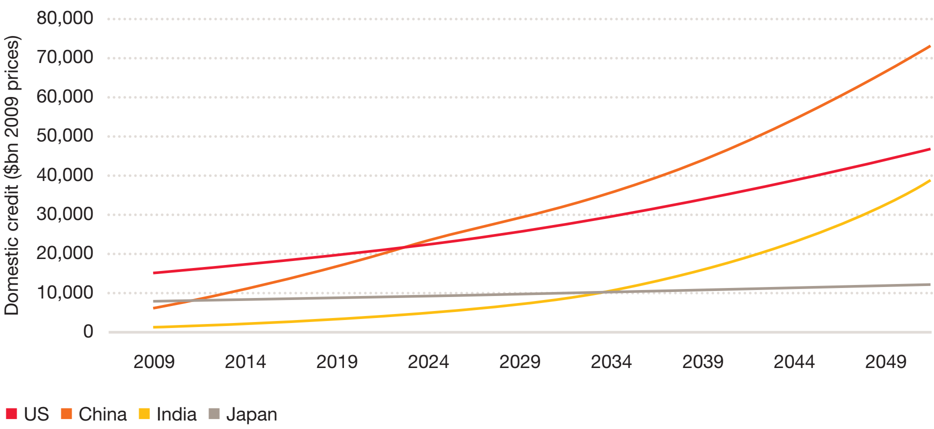
'Our ability to grow and capitalise on opportunities has been built around a strategic and proactive approach to matching talent with changing business objectives.'

John Ainley, Global Head of HR at Aviva Group

Asset management businesses face different issues. While much of the infrastructure of fund management can operate from anywhere in the globe, these firms still need relationship managers and, increasingly, manufacturing capabilities on the ground. Expansion often includes acquiring smaller companies, which in turn creates the hurdle of integrating these firms into the parent culture.

Insurance is also demonstrating strong growth and investment potential within the SAAAME markets, though from what is often a low base of penetration. Growth is heightening the shortages of actuaries and other key personnel globally, with European insurers facing the particular challenge of balancing the need for qualified people to help meet their Asian and Latin American growth objectives with the demands of the impending Solvency II regulations.

Figure 3: Domestic banking credit projections for the US, China, India and Japan

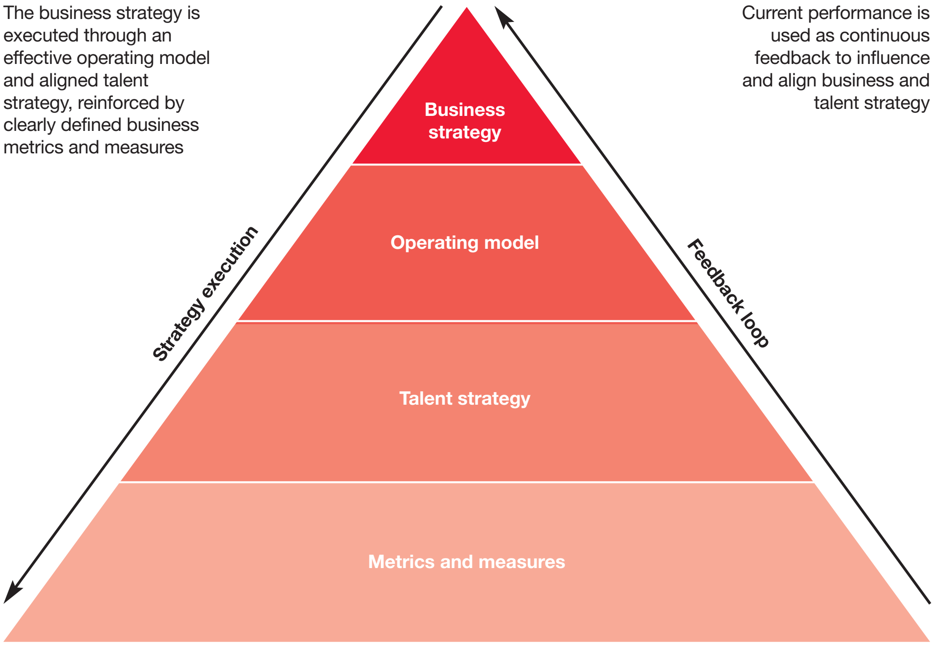


Source: PwC analysis using IMF base year data for 2009 from 'Banking 2050 2011 update'

3 Financial services CEOs interviewed as part of PwC's 14th Annual Global CEO Survey, 19.01.11

4 'Banking in 2050', 2011 update, published by PwC on 18.05.11

Figure 4: Integrated business and talent strategy



Required actions

Business strategy
- Sustained growth in North America
- High growth in select emerging markets
- Integrate business and workforce planning

Operating model
- Understand drivers of workforce demand and supply
- Define future state capabilities
- Identify future state capacity requirements
- Develop an aggregated workforce plan

Talent strategy
- Hire to manage capacity and capability gaps
- Develop customised development plans to address leadership and associate gaps
- Develop training and launch learning programme

Metrics and measures
- Define common and role-based metrics
- Embed into performance goals and objectives
- Track metrics, take corrective actions and enable business outcomes

Source: PwC

These are not ad hoc decisions. They require the real-time data and analysis to identify future skills' needs, the forward planning to match the required capabilities with present and future availability, and a continuous feedback loop to make sure the talent strategy continues to be aligned and able to meet the business strategy (see Figure 4).

The talent challenge

The challenges of aligning business and talent strategy within a sector in flux are recognised by financial services CEOs. Nearly 60% of banking leaders and more than 50% of insurance CEOs[5] see lack of available talent as a barrier to growth. Among asset management leaders, concerns are even greater, with 65% seeing shortages of skilled people as a threat to their expansion plans.[5]

It is not just numbers that will be needed, but particular skills. In the face of entrenched domestic competition and restrictions on foreign ownership, many financial services businesses are targeting relatively untapped niche areas. In India, for example, while outright foreign control of a domestic bank or insurer is prohibited, investment in a non-bank financial institution allows 100% foreign ownership and offers access to fast-growing segments such as mortgages, vehicle finance, credit cards and stockbroking. These are areas that require specialist know-how and local knowledge and as they are niche or fledgling market segments, these are in short supply. In turn, establishing and developing joint ventures – a common entry route in China – requires particular relationship management experience that few professionals from either the Chinese or international partner will have gained.

Further hurdles are likely to arise from possible restrictions on the numbers of foreign personnel coming into a country, or laws requiring companies to hire a certain proportion of local citizens. For example, a number of Middle Eastern countries including Qatar, Kuwait and Saudi Arabia have set relatively high quotas for local staff. Others, such as South Africa, maintain affirmative action policies.

Defining talent needs

The starting point for a workforce plan to align business and talent management is defining the type of skills that will be required, identifying the people within the organisation who are best suited to particular roles and, if not available, targeting recruitment from outside.

5 Financial services CEOs interviewed as part of PwC's 14th Annual Global CEO Survey 2011

Figure 5: Building vision and strategic purpose

Development value

Global talent development (target x%)			
Primary usage	Development of high-potential talent. The assignment investment is justified by the quality of the talent, even where there is local talent available		
Target jobs	Emerging leaders	Target talent	High performing High potential
Duration	3 months – 2 years Guaranteed return home		

Strategic leadership deployment (target x%)			
Primary Usage	Strategically deploying the best global talent (regardless of where it's from) against the most important jobs in the company		
Target jobs	Highly strategic leadership	Target talent	High performing High potential
Duration	2–5 years Guaranteed return home (if there is a 'home')		

International skills transfer (target x%)			
Primary usage	Supporting employee-initiated moves based on open positions or personal need, often with no expectation of transfer back to home country		
Target jobs	Generally non-strategic	Target talent	Utility players Volunteers
Duration	Generally one way move Guaranteed right of return if certain criteria are met		

Knowledge/Skill transfer (target x%)			
Primary usage	Transferring critical skills or knowledge for a short term where there is no local talent available internally or externally with the required skills		
Target jobs	Highly technical	Target talent	High performing Utility players
Duration	3 months – 2 years Guaranteed return home		

Business value

■ Development focused assignment categories

Source: PwC

'We need a balance of local people who understand the local market and expatriates who understand the JP Morgan culture.'

Julia Meazzo, Head of HR, EMEA, JP Morgan

'Once you've established a clear link between the overall business strategy and the talent needed to fulfil this, it is possible to devise a proactive strategy for the assignments needed to meet short-term business demands and the development of local talent over the longer term', said Carol Stubbings, a partner in PwC UK.

The foundation of this approach is the consistent organisation-wide mapping of capabilities, experience and potential of individual employees. The talent map can be matched against the strategic skills assessment to assist in quickly deploying suitable people within the organisation and, if they are not available in the required location, seconding or hiring as appropriate.

Targeted assignments

If the decision is to bring people in on secondment, a good way to think about the requirements is a grid that sets out the business objectives and matches these with the development potential of the assignee (see Figure 5). In a high-resource/low-development scenario, for example, it may be that a particular IT specialist is needed at short notice and the priorities for choosing the right person are primarily operational rather than strategic. At the other end of the spectrum, a high-resource/development scenario would involve a person with leadership potential being brought in to run a new start-up. The criteria for selection are strategic from both a business perspective and in developing this person's experience as part of career progression and succession plans.

The value of assignments

Over 50% of financial services organisations are planning to deploy more staff on international assignments over the next 12 months.[5] The figure is slightly higher within banking (54%) and lower in insurance (49%) and asset management (45%).

From a long-term perspective, international assignments should not be just a quick way to plug skills' gaps. If deployed appropriately, sending people on secondment to a new start-up, or acquired company can help to inculcate the values and direction of the parent group. International experience can also help to attract the 'millennial' generation coming into the workforce, many of whom are actively seeking out the challenges of a global career. A study of more than 2,000 graduates from China, the US and the UK found that 80% would like to work abroad and 70% expect to use other languages during their career.[6]

In turn, international experience can be an essential building block in the development of future leaders. 'You can't be an effective leader if you don't appreciate how business operates globally,' said Laura Waitz, Managing Director, Head of Human Resources, at the Blackstone Group. 'Executive leaders need to be able to understand complexity and ambiguity. International assignments are one crucial way to give future leaders that diversity of experience,' said Colleen Harris, Executive General Manager Human Capital at National Australia Bank.

6 Managing tomorrow's people – the future of work in 2020, published by PwC on 31.05.10

Figure 6: Talent management throughout the assignee life cycle: 7 critical activities

Role assessment	Policy selection	Candidate assessment	Performance management	Extensions and replacements	Reintegration	Retention
• What • Where • Why an international placement?	• Which • Balancing priorities • Differentiation	• Competency • Cultural • Behavioural • Development • Objectives/ Business case	• Responsibility • Long term vs short term • Measurements • Home and host	• Local succession • Incentives • Ownership	• Localisation • Mentoring • Reassessment • Use new skills and networks	• Timescales • Reward • Measurement • Career path

Source: PwC

Cutting assignment costs

A key consideration is the expense of secondments, with assignees typically costing three to four times more than their local counterparts, once all the relocation, compensation and benefits are taken into account. Our latest global international assignment policy survey found that more than 80% of financial services organisations include income tax equalisation in their packages, nearly 70% include an incentive premium and nearly 60% include a location premium.[7] Yet, despite this expense and the high levels of secondment in financial services businesses, there appears to be less attention to control or in tracking the return on this outlay.

'We encourage our offices around the world to exchange people so they can develop their experience and help to foster collaboration within the organisation The key to making this work is to clearly identify what skills are assignees looking to acquire, what can they pass on and how does this benefit them and the organisation as a whole.'

Jensen Leung, Global Head of Mobility, Nomura Group

A structured and centralised approach to assignment management would help to make sure the right people are sent on secondment, the objectives are clear and the return on investment is realised (Figure 6 sets out a simple model for assignment management). Key priorities for maximising the return on assignment investment include:

- Using a combination of the skills assessment and talent map to make sure the right people are identified and assigned – our research has shown that many financial services organisations have talent mapping procedures, but few align this with secondment planning.
- Making sure that home and host management work together to establish and monitor clear objectives for the assignment.
- Making sure that expatriates have access to appropriate language classes and cultural orientation – less than half of financial services organisations do this currently.[8]
- Making sure that seconded staff have opportunities to pass on critical skills and knowledge to local colleagues.

7 66 financial services organisations were polled as part of PwC's Global International Assignment Policy Survey, 2011

8 Financial services organisations polled as part of PwC's Global International Policy Assignment Survey, 2011

In addition to making sure the right people are sent on assignment, this more targeted approach can help to limit the time they need to be away. Traditional duration-based secondments often run for two or more years. By moving to purpose-based secondments, the time away could be cut. Using the assignment assessment, the key objectives and the time needed to fulfil them can be determined upfront. The advantages of this approach are not just lower cost. While people gain from international experience, being away for less time makes it easier to encourage people to take up secondments, reducing any potential dislocation in children's education, for example. It also makes it easier to reassimilate them back into the home workforce when they get back.

Some people may want to stay longer. An increasing number of European and American finance professionals are looking to build long-term careers in the fast growth SAAAME markets, for example. They may also want to take up an opportunity for promotion and senior management experience. Treating this group as quasi-locals with regard to pay and benefits, rather than the traditional approach of meeting the cost of long-term secondment, may be appropriate.

'The cost of assignments is a central question. We need to know we're getting an appropriate return on the investment, which requires a rigorous assessment of why they're being sent and updates on whether these objectives are being met.'

Katherine Thompson, Managing Director, Citigroup

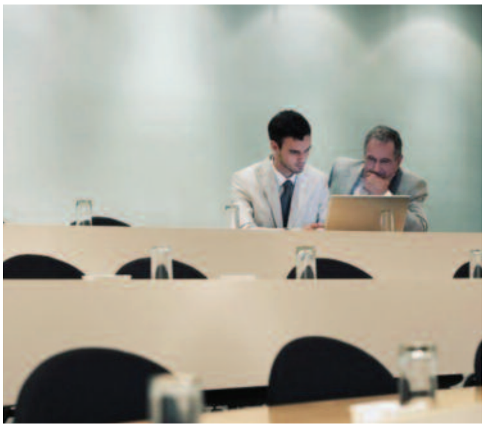
Making the most of secondment experience

When the assignee returns, it is critical to make sure that the secondment experience is put to appropriate use. Failure to provide suitable opportunities for returning staff means that a significant proportion soon become frustrated and leave the organisation, which wastes the investment. 'Financial services groups are often better at sending people away than reacclimatising them when they get back. When they were away, they undertook interesting challenges. When they come back, they more often than not find themselves in a similar role, which dilutes their experience and can lead to disillusionment', said Debra Eckersley, a Partner in PwC Australia.

It is important to plan with the assignee how to reintegrate them back into the home organisation and make the most of the experience gained (planning should ideally begin at least six months before return). Good ways to gauge whether this more proactive approach is working and that firms are getting the resulting payback from the employee's time on secondment include measuring retention and promotion rates within two years of return. 'We don't allow people on assignments to fall off the radar. We regularly communicate with them to discern whether their objectives are being met and how they intend to use experience when they get back. We then co-ordinate with their home team to ensure we get the most out of our investment', said Eileen Adler, Assistant Vice President', Talent Acquisition and Management, Sun Life Financial Inc.

Developing local talent

Developing local talent clearly provides the most sustainable way to meeting growth objectives and may be required to meet local employment regulations. Yet, as Tony Williams, HR Director, Royal Bank of Scotland (RBS) Global Banking & Markets, explains: 'Many investment banks are facing a double whammy on talent. Competitors are often looking to develop their business in similar product areas. In turn, the markets in the key locations where they're looking to strengthen their presence, notably the Far East, may not be sufficiently developed to offer a strong supply of qualified people.'



The resulting competition for good people is leading to salary competition and high turnover rates. Hiring graduates straight from college or university offers a more cost-effective and sustainable alternative. Tony Williams reports that RBS Global Banking & Markets has stepped up its graduate intake in fast-growing markets such as India, as it 'seeks to develop a sustainable pipeline of talent and strengthen diversity within the organisation'.

Access to international experience

In turn, providing employees from emerging markets with international experience can confer the double benefit of attracting talent locally and reducing the need to bring in overseas assignees to pass on key skills. When the employees return, this experience can help to develop skills locally. In the long term, this approach can help to create leaders of the future and role models for the opportunities offered within the organisation.

There are signs that staff in some of the faster expanding markets may be reluctant to move from locations they believe offer better business and career development potential than the slower growing West – in short, 'where the action is'. Some people may also be reluctant to leave because of child or elderly care commitments. Briefer purpose-based assignments could provide an attractive option in these cases.

There is also a risk that assignees coming from emerging markets might choose to stay in developed markets rather than taking their skills back to their home market. Again, briefer purpose-based assignments can reduce this risk.

Developing a new mindset

As organisations look to broaden access to talent, around half of financial services organisations have, or are planning to establish closer ties with universities and play a stronger role in the development of education and training within the countries in which they operate.[9] As many emerging market universities develop closer links with their Western counterparts, the syllabus and ethos are moving closer into line with European and North American colleges. Examples include the partnership between Carnegie Mellon University and the Singapore Management University.

As financial services in the Asia-Pacific region expand and become more complex and ever more competitive, the challenges people face and the skills they need are likely to change. People need to be able to deal with complexity and ambiguity. They need to be able to think on their feet. Universities in the Far East are beginning to look at how to augment traditional intellectual rigour with more lateral thinking. Companies can play their part in developing the necessary capabilities through training and international experience. Nurturing creativity, versatility and the ability to adapt are going to be crucial in taking the sector forward in the coming years.

9 Financial services CEOs interviewed as part of PwC's 14th Annual Global CEO Survey, 2011

Changing nature of 'talent'

The nature of the talent requirements within the financial services industry is changing. Relationship skills are more prized as traditional business banking comes back to the fore.

As organisations move into new markets, cultural awareness and adaptability are also likely to be as important as technical qualifications. 'As the business becomes more global in its ambitions, we recognise the importance of mobility in enabling our people to become more globally aware', said Sean Lynch, Director, Human Resources, Global Mobility Services, at BlackRock Inc.

Promoting diversity and opportunity

With competition for graduates and skilled people increasing, it is important to seek out sources of talent that have been less well targeted up until now. In China, for example, more than 70% of women believe they have fewer professional openings than their male counterparts.[10] By developing and strengthening programmes to recruit more women graduates and aid their professional progression, businesses would be able to gain access to a relatively underused source of talent in the country.

For international organisations looking to build up their business in the SAAAME, promoting greater diversity within the promotion and management of the organisation would send a clear message that advancement is open to all rather than a developed market elite. This could be especially important in helping to attract and retain talented people who might otherwise choose a career with a local competitor.

Key steps to promoting diversity include setting aspirational targets for recruitment, promotion and international assignments among women, ethnic minorities and other groups that may be under-represented in professional and managerial areas. It is then possible to track progress against targets and interview a selection of staff to help identify and tackle barriers.

10 Gender and Gen Y: Insights into global diversity in China, published by Diversity Best Practices in association with PwC, 08.02.11

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Section two
Responding with short-term solutions – struggling to keep pace

As talent shortages in key growth markets mount, many financial services organisations may find it difficult to meet their strategic objectives.

HR executives recognise that the growth challenges their organisations face require a strategic solution. Yet, for many different reasons the response to date has been primarily short-term and many firms are finding it difficult to sustain their expansion plans as a result. 'Many businesses are facing a growing gulf between their growth aspirations and the availability of talent to meet them in the short-term. As a result, they will need to rethink their talent strategies', said Christopher Box, a Partner in PwC Qatar.

> *'The pendulum is swinging back toward seeking ways to grow within certain areas of the financial services sector, but shortage of talent could constrain growth.'*
>
> Don Schneider, Group Human Resources Director, Old Mutual Plc

Heightened competition

The underlying problem is the limited pool of people with the necessary qualifications and experience within most fast-growing emerging markets. China is a clear case in point. 'There is a considerable shortage of skills across all sectors in China, with growth outstripping the availability of talent. The greatest shortages lie within senior positions and specialist back office functions such as IT and risk management,' said Roger Ng, a partner in PwC China. 'Many groups kid themselves that they can simply pinch talent from their competitors. In China, this is leading to extremely high rates of attrition and rapidly increasing salary costs.'

As ever-more international organisations look to develop their presence in emerging markets, they're vying with each other for the best recruits, and also from increasing competition from locally-based firms. 'All the major banks are chasing after the same pool of resources in key growth areas such as private banking,' said Julia Meazzo, Head of HR, EMEA, JP Morgan. 'The competitive landscape for talent has definitely changed since 2009 and continues to evolve, particularly in key emerging markets where HSBC has a strong focus. We increasingly have to share the same talent pool with both domestic and international financial services companies and non-financial industries. As the need to differentiate intensifies, HSBC will continue to attract people from within and outside the region, building on our brand strength, diversity, values and international connectivity to attract the best talent,' said Nick Avery, Head of Talent and Resourcing, Asia-Pacific at HSBC.

As the leading domestic institutions tend to have a bigger presence in their national markets than their international counterparts, the employee brand and career prospects are often seen as superior. 'Securing the talent you need when moving into a new market is always difficult as it takes time to develop the recruitment infrastructure and brand recognition to attract talent,' said Diane Kurtzman, Vice President, Human Resources, The Travelers Companies, Inc.

Most emerging markets are also unencumbered by the bonus constraints generally imposed on European and Northern American financial services organisations. As a number of interviewees highlighted, moreover, financial services groups based in the US and Western Europe may be viewed as a riskier employment option following the dislocation in their businesses during the financial crisis.

Many international organisations are responding to this increased competition from domestic firms by offering ever-higher salaries, along with other inducements such as sign-on bonuses. At a time when organisations are facing severe cost and margin pressures, the resulting salary inflation could become unsustainable, if it isn't already. As rivals seek to lure the best people away, many organisations are also experiencing high-turnover rates, which jeopardises the talent planning and customer relationships needed to develop the business.

Struggling to plug the gaps

Assignments are clearly crucial in the development of the business, yet relying on them to fill operational gaps is unsustainable, without a focus on recruiting and training people locally.

'In the margin constrained post-crisis environment, the cost of traditional expatriate packages is proving increasingly prohibitive', said Ed Donovan, a partner in PwC US. Even if they can offer enough financial incentives, many organisations are finding it hard to encourage enough people to undertake international assignments. Nearly 40% of financial services CEOs report difficulties in deploying experienced talent globally.[11] The days when employees would be asked to pack their bags and go are over. The generations coming into the workforce and into management positions are more empowered. Schooling, dual careers and lifestyle factors all play a part in the decision of where and when to go.

11 Financial services CEOs interviewed as part of PwC's 14th Annual Global CEO Survey 2011'

Tougher talent dynamics in developed markets

While the talent challenges in emerging markets are proving the most pressing, the financial crisis has also changed the recruitment and retention dynamics within many developed markets.

'The downturn in the economy, while creating high unemployment, has also led to less mobility among those who are employed. The economic uncertainty has caused many to delay planned retirements and, perhaps, to stay with their current employer when they might otherwise move on. When the economy does rebound, I think we will experience a release of this pent up mobility, which could leave many employers scrambling to fill openings,' said Karen Macke, Senior Vice President, Rewards & HR Operations, at the Hartford Financial Services Group. 'The financial services sector is not as attractive as it was five years ago, which is making hiring tougher in Europe', said Timothy Bilton, Head of Leadership Effectiveness at the ING Group.

A particular dilemma is how to reward people when there is less cash for bonuses and compensation policies are facing a tighter rein. This includes how to attract, retain and focus sufficient resources on key talent, while devising a less bonus-driven approach for others.

Looking ahead, the ability to attract the best graduates has clearly been affected by the financial crisis. Restoring trust and re-engaging with society will therefore be critical at a time when new graduates ('millennials') are looking for careers with meaning and interest rather than just financial reward.[12] The back to basics focus on the real economy could provide the solution by reinforcing the critical importance of financial services to the fabric of everyday life in areas ranging from business start-ups and job creation to the realisation of home ownership, secure retirement and other cherished ambitions.

12 Managing tomorrow's people – the future of work in 2020, published by PwC on 31.05.10'

Impact of tax and regulation

While much is being made of rising taxes and increasing regulation in Europe, North America and some other parts of the world, it is perhaps surprising that the responses from our interviews indicate that lower taxes do not as yet appear to be spurring significant numbers of talented people to the Far East and other SAAAME markets.

Similarly, increased regulation is not seen as a deterrent in relocating staff. Whether these issues will become important factors over the coming years, as the gap between developed and SAAAME countries' tax rates and remuneration regulation is more apparent, is yet to be seen.

With the numbers of assignees set to increase markedly, interviewees highlighted the importance of working closely with national governments and immigration authorities to manage visas, quotas and other relevant aspects of international mobility.

The broader regulatory developments within the sector are having a strong impact and further pressures are likely. For example, almost all the executives we interviewed highlighted the growing demand for risk management professionals in the wake of the move to Basel III and EU Solvency II. Globally, 47% of banking groups are planning to recruit more risk managers and 45% of insurers are looking to increase the headcount within their risk functions.[13] This also highlights the importance of having people who are able to make sense and develop strategies to deal with the increasing complexity and business impact of regulation.

13 200 financial services CEOs were interviewed as part of PwC's 14th Annual Global CEO Survey, 19.01.11

Do organisations have the talent to succeed?

Financial services groups are finding it difficult to make sure they have the right people with the right skills in the right roles in the right place, to meet their growth objectives. As cost pressures increase and skills' shortages mount, simply buying or moving talent can only provide a short-term solution.

Forward-looking organisations are developing well-articulated and actionable workforce plans, which are allowing them to respond to commercial opportunities and meet their objectives more quickly and decisively than their competitors.

As companies look to align business and talent strategies more closely, there are a number of key considerations they will need to address:

- Could shortages of talent impede or even derail growth plans?
- Is relying on international assignments to fill skills gaps sustainable?
- Is there a process in place to make sure the right people are assigned to international placements?
- Is enough being done to attract and train local talent?
- Are assignees doing enough to train and pass on skills to local employees?

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The world of work is changing. In a global economy, people are an increasingly valuable source of sustainable competitive advantage. Organisations need to transform to attract, inspire, motivate, manage, develop and reward their people – or face losing their most valuable assets. We help forward-looking businesses do this.

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