

fs viewpoint

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The right stuff:

How financial services institutions
can use talent assessments to
improve returns on human capital

Point of view



**Water, water everywhere,
but not a drop to drink.
Financial institutions are
struggling with a shortage
of the right talent within a
sea of available labor.**

**Facing even more pressure
to reduce costs, business
leaders are being handed
an impossible task: do even
more with less.**

56%

**of financial services CEOs in a
PwC survey cited concerns about
the availability of key skills as a
threat to growth prospects.¹**

**Hiring managers are struggling with a
mismatch between available talent and
the talent they need.**

As of May 2013, the US unemployment rate remains close to 8 percent.² Yet, despite this backdrop, many financial institutions are struggling to fill current position openings. Why the mismatch? Only 1 in 5 unemployed Americans has a college degree or higher education, but most financial services positions require at least a 4-year degree. As a result, the unemployment rate in the finance and insurance sector in May 2013 was a mere 4.4 percent.³

**Roles in financial services are becoming
more difficult to fill.**

For example, roles in risk management, finance, accounting, compliance, and internal audit now require a combination of technical skills as well as sophisticated soft skills such as the ability to collaborate and communicate clearly. Roles in front-line, customer-facing positions now require client-relationship management and marketing skills in addition to core technical skills as these roles transform from banking teller to life-event manager.

This issue is gaining C-suite attention.

More than half (56 percent) of the financial services CEOs interviewed by PwC in 2012 expressed concern about the availability of key skills. Even more striking, however, 67 percent of all financial services CEOs are planning a new cost-reduction initiative in the next year, and 77 percent anticipate changes in strategies for managing talent over the next year.⁴

Given the labor-heavy production model within the financial services sector, cost reductions inevitably mean workforce reductions.

From the clients that we have talked to, one theme is clear: the need to “cut and grow” is almost universal. Regional banks are looking to expand into other areas and many national banks are looking to grow abroad. Rarely do we encounter those who are looking to maintain or shrink a geographic footprint. One way these objectives can be met will be for financial institutions to do the following:

- Produce more with current talent.
- Be more discerning about the talent they hire.
- Realign valuable talent not needed in current roles to other areas of the organization.
- Retrain, manage out, or lay off talent that does meet the needs of the organization.

But, where do you start? In our view, few financial services executives have ready answers to fundamental talent questions such as: What talent capabilities do I have? What talent capabilities do I need? How do I fill the gaps?

Having an objective, robust approach to talent assessments can lead to smarter, more strategic talent decisions and position organizations for profitable growth.

¹ PwC, “16th Annual Global CEO Survey,” January 2013, www.pwc.com.
² US Bureau of Labor Statistics, “Economic News Release,” www.bls.gov, accessed July 2, 2013.
³ US Bureau of Labor Statistics, “Workforce Statistics: Finance and Insurance sector,” www.bls.gov, accessed July 2, 2013.
⁴ PwC, “16th Annual Global CEO Survey,” January 2013, www.pwc.com.

A variety of factors contribute to the talent challenges currently faced by the front and back offices of financial institutions.

Driver	How does the driver impact talent challenges?
Advanced educational requirements	A driving factor in the talent shortage is the high level of technical knowledge, skill, and ability required for many financial services roles. For example, internal auditors must have a four-year degree, earn one-to-two years of auditing experience, and pass an exam before becoming certified. ¹ It is especially difficult to find candidates with the right mix of skills and experience for positions that require specific, technical skills such as risk managers, internal auditors, and actuaries. ²
Unprecedented regulatory changes	Changes required by the implementation of regulatory reforms have outpaced the rate of development for individuals in financial regulation and risk-related roles, thereby increasing competition for more experienced practitioners. It is projected that regulatory change will continue to grow as governments try to manage financial system risks. ³
International growth	Financial institutions focused on growing their operations globally have found that the talent required to succeed in global markets can be vastly different than the capabilities needed domestically. Knowing what capabilities drive success in global markets is crucial in recruiting and developing the right global talent.
Shifting demographic trends	A rapidly aging population in some markets, combined with population growth in other markets, will dramatically alter the talent pool in the future. By some estimates, 50 percent of today's insurance agents will retire in the next 10 years, leaving the industry without its highest-producing sales people, and almost 70 percent of adjusters are past the age of 45. ⁴
Rapid technological change	<p>Advances in technology and an influx of millennials into the market are transforming customer behaviors in the financial services industry. In light of changing market conditions, financial institutions must also proactively consider their future talent needs.</p> <p><i>Retail banking examples</i></p> <ul style="list-style-type: none"> • Rapid technological changes are forcing banks to modify employee roles to incorporate broader skills and responsibilities to manage customer needs. For example, recent trends show that customers are increasingly banking online and using their smart phones for financial transactions.⁵ • As banks gather more customer information and data analytics become more sophisticated, banks can specifically target key services to appropriate audiences and quickly determine customer credit worthiness. To be effective, banks will need employees that can leverage technology for data analysis.

¹ "Certified Internal Auditor Eligibility Requirements," The Institute of Internal Auditors, www.na.theiia.org, accessed June 5, 2013.

² "Sector Analysis: Financial", *Recruiter*, June 29, 2011, Factiva, accessed May 24, 2013.

³ European Parliament, "Global economic governance European Parliament resolution," October 25, 2011.

⁴ Mike Costonis, "The Millennial Invasion," *CLAIMS*, August 2011, Factiva, accessed June 5, 2013.

⁵ PwC, "Rebooting the branch: Reinventing branch banking in a multichannel, global environment," December 2012, www.pwc.com/fsi.

We have observed most financial institutions relying heavily on an annual review process. In our view, this is like trying to drive forward by looking in the rear-view mirror.

Moving beyond performance management...

While performance management programs are an important aspect of talent management, they cannot provide the data-rich organizational perspective of *talent assessments*.

Talent assessments are forward-looking and evaluate whether a department, function, or the financial institution as a whole has the core and technical competencies and business capabilities needed to support organizational objectives.

We discuss the difference between performance management and talent assessments in the chart to the right.

Driving forward—while looking in the rear-view mirror.

In many financial institutions, talent-related discussions are limited to an annual performance review—an often-dreaded process that ends with managers revealing to their direct reports information on performance ratings, raises, and/or bonuses, if any.

In our view, these reviews fall into the category of *performance management*—processes for evaluating how an individual has performed against a set of annual performance goals.

We have observed many organizations conducting piecemeal talent assessments for subsets of their workforce, particularly as part of leadership and succession planning initiatives. When done sporadically, however, these assessments do not help the enterprise identify gaps across the organization and to make decisions regarding building, buying, or renting talent to supplement those gaps.

For the few organizations that have executed effective talent assessments, only some manage to integrate the talent assessment process into the overall workforce planning strategy due to already existing cost-cutting pressures and economic workforce pressures.

	Performance management	Talent assessment
Time horizon	Backward focused on past performance based on annual goals.	Future focused and driven by longer-term business strategy.
Scale of assessment	Evaluation of individual past performance.	Assessment of current strengths and gaps at both the group and individual level.
Evaluation criteria	Qualitative, subjective measures that are typically limited to a manager's view of how an individual compares against others in the department.	Quantitative, objective measures for specified roles based on industry-wide expectations and benchmarks.
Outputs	Disparate individual development plans that tend to be qualitative and may lack clear, actionable steps.	Deep organizational-level perspective of capabilities with both aggregate and individual strengths and gaps. Results in clear action plans to close capability gaps for both individuals and the entire organization.
Effectiveness of decision-making and implementation	Development plan implementation occurs at the individual level only with no coordination or decision-making across the organization.	Talent assessment results drive talent strategy decisions (build, buy, rent) that are coordinated and implemented across the organization.

In our view, leading organizations recognize that departmental and individual roles are changing, and the expectations for these roles have grown.

They use talent assessments to gain a clear view of whether a department or function has the right skills needed now and for the future.

Most roles within financial services institutions are evolving to require more sophisticated technical skills. However, they are also changing in ways that require more sophisticated soft skills, such as the ability to collaborate effectively and communicate clearly.

For example, financial advisors in the wealth management sector increasingly need to demonstrate a deep understanding of products, sophisticated relationship management skills, and heightened fiduciary responsibility. Similarly, risk management and compliance roles are becoming highly scrutinized key lines of defense to manage risk. Many technical roles increasingly require a broad range of nontechnical capabilities such as the ability to clearly communicate and collaborate with nontechnical staff. Leading institutions have used talent assessments to gain a clear view of whether a department or function has the right skills to meet the needs of the organization.

The following examples highlight several positive outcomes from talent assessment implementation.

Organization	Triggering event	Outcome
US investment company	Regulatory inquiry <ul style="list-style-type: none">As a result of a consent order, the talent assessment was implemented to assess current talent, particularly in high-risk functions.	<ul style="list-style-type: none">Identified key risk areas in existing talent.Identified skill sets to rent or buy.Established a rotational program as a result of a talent gap identified in business acumen.
US banking company	Inorganic growth <ul style="list-style-type: none">As a result of a major acquisition, a talent assessment was launched to gain insight into the skills of acquired talent.	<ul style="list-style-type: none">Identified new skill sets gained from the acquisition.Established a data-driven selection process for new and existing roles.Established new culture that prioritizes employee development and people strategy.
US insurance company	New operating model and cost reduction <ul style="list-style-type: none">As part of a large-scale technology and process transformation, a talent assessment was used to provide a holistic view of employee skill sets and to drive objective, data-driven workforce reduction decisions.	<ul style="list-style-type: none">Aligned new and existing roles to competencies, which resulted in enhanced role clarity and transparent career path.Resulting data allowed for strategic, informed decision-making regarding reductions, and enabled the organization to avoid making uninformed, across-the-board cuts.Identified priority training needs and drove the recruiting strategy going forward.

We have observed leading institutions start to incorporate this type of analysis into the everyday operations of the business. In some companies, a specific trigger merely accelerated the building of the talent assessment process. In all companies that have been spurred to action, the establishment of a talent assessment process will enable them to better respond to triggering events in the future.

In our view, financial institutions should align business strategy to every aspect of the talent assessment process.

Objectives	Purpose
Use business strategy to drive talent strategy	Financial institutions should use a business strategy to drive talent strategy. Business needs continually change, and a talent assessment approach helps to ensure that the talent strategy also keeps pace with the business strategy.
Focus on pivotal roles	To cover the most critical areas, financial institutions should focus on pivotal roles. Pivotal roles are those that are integral to the business, require unique or specialized skills, and are more difficult to acquire or develop.
Develop competency-based roles	Rather than only focusing on job functions and duties, financial institutions should identify job competencies for each role. Competencies are the necessary skills, knowledge, and abilities that are critical for on-the-job success.
Address both technical and core nontechnical competencies	On-the-job success is determined by both technical and nontechnical competencies, so financial institutions should address three categories of competencies: <ul style="list-style-type: none"> • Core competencies: professional skills such as collaboration and communication. • Technical competencies: specialized, technical skills required for specific roles. • Leadership competencies: skills required by leaders to motivate employees and drive business strategies.
Establish clear benchmarks for each competency	Financial institutions should establish clear benchmarks to define the level of proficiency required for each competency for a given role. Benchmarks should be based on leading industry expectations and not solely on a organization's internal expectations.
Objectively assess individual capabilities	Financial institutions should objectively assess individuals against competency benchmarks. Organizations should consider a multi-rater approach that includes objective assessments by independent third parties supplemented by self and manager assessments to provide more in-depth views.
Develop an aggregate view of organization-wide capabilities	Financial institutions should aggregate talent assessment data to develop an organization-wide view of their talent strengths and gaps. The data-driven view allows organizations to pinpoint the location, type, and severity of talent gaps today; to better utilize existing talent where it is most needed; and to build talent for the future.
Develop measurable action plan to close talent gaps and build future talent	Using talent assessments to enable more strategic, data-driven talent strategy decisions, financial institutions should develop an action plan to close gaps and build future talent. For example, organizations should use talent assessment results to adjust their talent sourcing strategies (build, buy or rent), to tailor learning and development, and to strengthen succession planning.

When talent assessments are implemented in the context of an overall talent management strategy, financial institutions benefit in numerous ways.

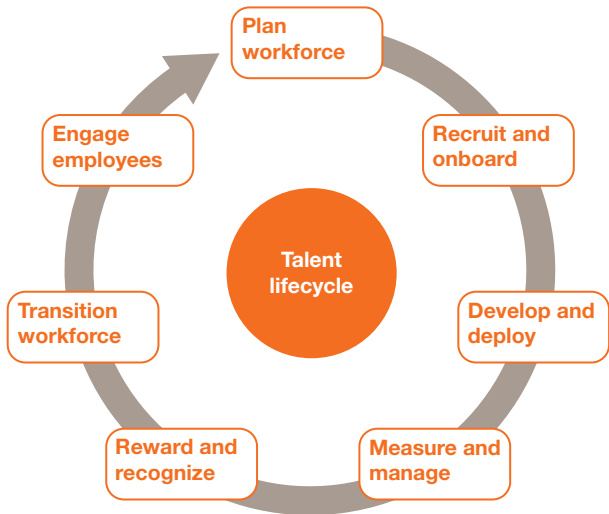


Figure 1: A talent assessment provides useful data that can be used as inputs for all stages of the talent lifecycle.

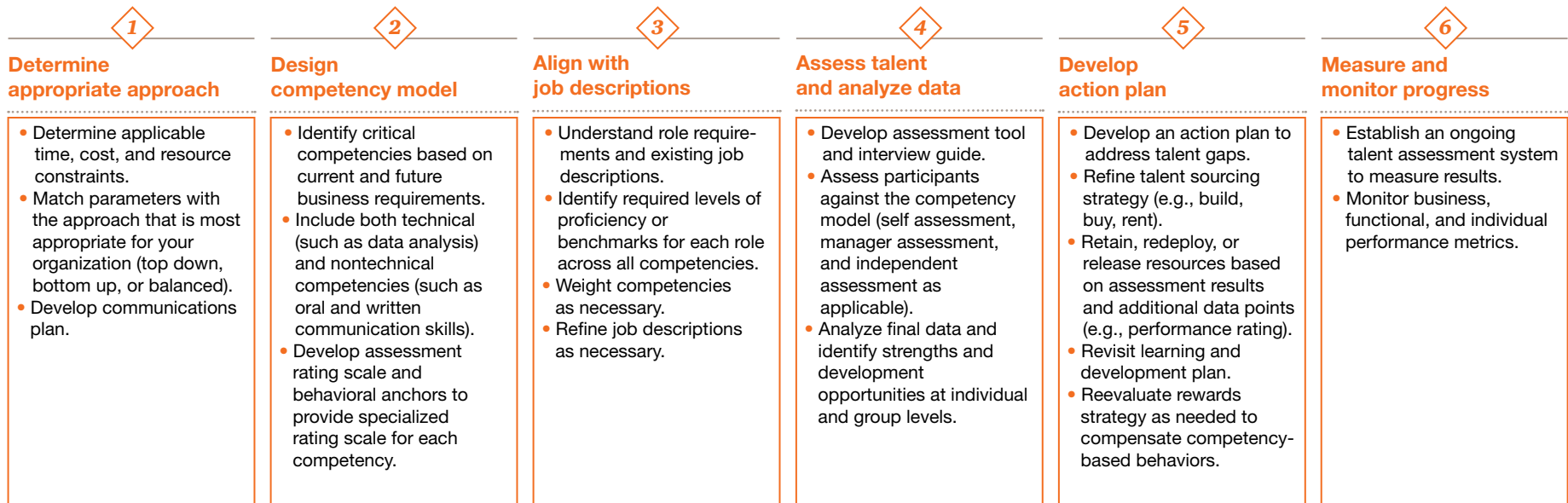
Talent assessments are tools that provide rich data that is useful in all stages of the talent lifecycle process. Figure 1 shows the talent lifecycle. The following examples highlight how results from a talent assessment can benefit a financial institution in each stage of the talent lifecycle:

Stage of the talent lifecycle	How talent assessments provide valuable benefits
Plan workforce	Talent assessments provide rich data for workforce planning and enable the ongoing identification and remediation of talent gaps in the workforce.
Recruit and onboard	A talent assessment provides data that can help financial institutions decide how better to: <ul style="list-style-type: none">• Develop a targeted strategy for pivotal roles, identify roles that need to be filled, and pinpoint which specific skill sets are needed.• Enable better sourcing decisions, including whether to rent talent through vendors or contingent workers or buy talent with direct hiring.
Develop and deploy	Talent assessments enable better career development, succession planning, and internal mobility decisions: <ul style="list-style-type: none">• Build talent through training and development. For example, targeted training for specific roles can be developed to address common skills gaps. Career development can be enriched through internal and external job rotational programs.• Redeploy resources with specialized skills to areas where they are most needed to better leverage these specialized skills. Redeployment can also be used to shift resources from departments with ample depth of skills to those that need stronger talent capabilities.
Measure and manage	Enables organizations to baseline current proficiency levels and measure progress toward target proficiency levels.
Reward and recognize	Talent assessment analytics enhance knowledge of individual, group and enterprise attributes required for a high performance workforce. Clearly defined competencies and identification of gaps serve as inputs to market-based compensation ranges for pivotal roles. Additionally, rewards may be linked to specific industry credentials that build job-related competencies.
Transition workforce	Enables leaders to make more informed decisions regarding workforce transitions to meet the needs of the business and changing workforce demographics.
Engage employees	Talent assessment data provides the basis for richer, more in-depth discussions with employees regarding career progression and increases transparency regarding the capabilities that are expected at each level. A highly customized approach for providing development feedback enhances the overall employee value proposition.

Organizational and cultural barriers often stand in the way of performing formal talent assessments. Our experience tells us, however, that most financial institutions are better positioned to achieve their goals after an assessment has been performed.

Common objections we have heard	What our experience tells us
"We already spend a significant amount of time and resources on managing our talent. We don't need another process to complicate things."	Most financial institutions' talent management programs do not evaluate the ability of the organization to meet future business needs. The amount spent on talent assessments usually pays for itself in the long run by preventing costly hiring mistakes and improving the chances that the institution will successfully execute on key initiatives.
"Our company is already going through a lot of changes. A talent assessment will decrease morale and make employees feel their jobs are on the line."	While this is a common perception, talent assessments actually help employees through periods of change because formal talent assessments are viewed as objective and unbiased inputs into the decision-making process. In addition, many employees benefit from talent assessments because the assessments provide them with personalized evaluations of their strengths and development needs. This enables them to make their development goals more concrete and actionable, and provides them with the ability to take control of their own development.
"We already conduct annual performance reviews of each employee."	Performance reviews are backward looking and confined to individuals. They do not provide a view of an organization's overall capabilities, strengths, and gaps. Talent assessments provide a holistic way for organizations to assess whether they have the right mix of talent in the right places to achieve future growth.
"Our business is complex, and we don't want to take risks."	Talent assessments are a means to help organizations confirm they have the right level and mix of talent to support increasingly complex business environments. Identifying strengths and gaps, then implementing actions plan to close those gaps, allows companies to proactively mitigate risks that may arise because of talent gaps in critical roles.

In our view, to gain an understanding of individual and organizational capability gaps, financial institutions should apply a consistent talent assessment framework.



PwC's talent assessment framework helps financial institutions identify core professional, leadership, and technical competencies; align roles to the defined competencies; and assess current staff against the defined competency benchmarks. The resulting redefined talent strategy is business driven and enables organizations to establish a specific action plan using an integrated approach that will address issues across the talent lifecycle.

Without a concise and actionable strategy to address organizational talent issues, many financial institutions will waste both time and money—resources they can ill afford to squander in a fast-moving market.

Businesses that fail to strategically manage their talent will have only a limited view of their talent gaps and may not be able to acquire the right talent for pivotal roles.

Operating in the dark?

Only a minority of CEOs are getting comprehensive, human-resource management information for the measures they say are important. In our experience, many financial institutions don't have the tools and processes in place to truly understand their talent capabilities and those they need for future success at a detailed enough level to make the most effective talent strategy decisions. For example, when faced with the need to reduce costs, financial institutions have no way of knowing if they are laying off an individual who is a perfect fit for an open position elsewhere.

Inadequate talent strategies?

Without a concise and actionable strategy for closing talent gaps, many companies will waste both time and money—resources they can ill afford to lose in a fast-moving market. Financial institutions need to take a rigorous and objective approach to understand their existing talent capabilities, identify their future talent needs, and execute a plan to close the gaps.

Reactive response?

Only a minority of financial institutions have a continuous process focused on identifying skill gaps and mitigating those gaps. Without a robust, proactive approach, organizations will struggle to adapt their operating model and drive their growth agenda. In-depth talent assessments are a core capability for leading organizations.

Keeping acquired talent?

In addition, financial institutions risk laying off valuable resources who already have a good working knowledge of the corporate culture and who may be a good fit for another role within the organization. At the same time, financial institutions do not want to make a costly hiring mistake by taking on an outsider who will not fit with the organization.













Without the objective data from talent assessments, organizations will likely fail to effectively understand their talent gaps and how to fill them. Likewise, if talent assessments are not embedded within the overall workforce planning strategy, the data will not be as valuable.




Competitive intelligence















*Our observations of
industry practices.*




We observe industry players aligning business strategy and practices to several aspects of the talent assessment process.

	Financial institution A	Financial institution B	Financial institution C	Financial institution D
Business strategy drives talent strategy	 This organization's talent strategy, programs, and practices are frequently updated based on changes to the business strategy. Talent needs are assessed as part of new business and market evaluations. The organization takes a three-to-five-year view to assess future talent needs and develops talent plans accordingly.	 Talent is not a part of the strategic planning process for the organization, and the talent strategy does not necessarily change with shifting industry trends. The organization's approach to talent is reactive rather than proactive.	 This financial institution revisits its talent strategy and how it links to the business strategy every two to three years. The talent strategy is developed only at a high level and may not consider specific business functions and needs.	 Talent is a key element of the business strategy for this organization. As the business goes through operational change, the organization proactively evaluates how to align talent to the new operating model.
Focus on pivotal roles	 Pivotal roles, those that are integral to the business and/or difficult to acquire/develop, are identified throughout the organization. Specific talent strategies that address recruitment, development, and succession are tailored for pivotal roles so that the global organization is confident that it has the talent it needs to fill pivotal roles for both the near and long term.	 Recruitment efforts are focused on roles that are critical to its business. Aggressive recruitment practices give the organization access to a pipeline of talent for pivotal roles to fill job openings.	 Pivotal roles have not been identified and the financial institution primarily relies on hiring individual high performers as needs arise. This ad-hoc approach has left the organization short on certain difficult-to-acquire skill sets.	 As the financial institution prepares itself for operational change, the roles most impacted by the change were identified and highlighted during the talent assessment process.
Develop competency-based roles	 This organization conducts a full-fledged talent assessment by measuring employees against competency-based roles annually. The company tracks trends over time to assess the validity of its competencies, altering them as necessary.	 This organization develops competency-based roles only for leadership positions. Leadership competencies primarily include skills-based competencies and do not include behavioral competencies. Assessment of leadership proficiency is based on an individual's current scope of responsibility and not necessarily on the individual's skills, knowledge, and experience.	 This organization aligns six companywide competencies to the organization's vision and values. Business units have identified additional business-specific competencies. HR conducts training and delivers communications regarding the companywide competencies throughout the organization.	 This financial institution has developed a competency model and assessment to proactively identify the knowledge, skills, and abilities that will be critical for success in the new operating model.









 Leading
  On par
  Lagging




We observe industry players aligning business strategy and practices to several aspects of the talent assessment process (continued).

	Financial institution A	Financial institution B	Financial institution C	Financial institution D
Address both technical and core nontechnical competencies	 The organization defines core, technical, and leadership competencies for all roles. Competencies are incorporated into job descriptions and are the foundation for recruitment and selection decisions.	 The organization focuses primarily on technical competencies, and assumes that development of core behavioral competencies will evolve naturally. This practice has resulted in major competency gaps throughout the organization.	 Some business units have identified both core and technical competencies while other business units focus primarily on core nontechnical competencies.	 The organization has developed core, technical, and managerial competencies for key roles. The competencies will be leveraged in both formal job descriptions and informal career path resources.
Establish clear benchmarks for each competency	 The organization has established benchmarks for all roles and conducts a full-fledged talent assessment by measuring employees against competency-based roles annually. The organization tracks assessment trends against benchmarks over time to assess the validity of its competencies, altering them as necessary.	 The organization does not establish formal benchmarks for technical or core competencies. Rather, managers make hiring decisions based on a general interview without clear guidelines for what level of competency is needed for a given role.	 The organization assesses leaders against competency benchmarks for leadership competencies. Benchmarks for core and technical competencies vary by business unit. Business units that do have core and technical competency benchmarks use internally established benchmarks rather than industry-based benchmarks.	 The organization developed a comprehensive talent assessment approach that included the identification of customized benchmarks for each role based on the proficiencies required by the future operating model.
Objectively assess individual capabilities	 The organization works to confirm that managers conducting assessments are well versed in required competencies, which are updated annually. Managers receive training on competencies. Additionally, the company updates its competencies and job descriptions regularly and informs managers of changes to competency benchmarks.	 The organization does not assess individuals against competencies. The organization is investigating and investing in a competency-based approach, but has not yet made the leap to this leading practice.	 The organization assesses leadership competencies and has started to assess its talent based on function-specific competencies (core and technical). Competency gaps for individuals are incorporated into their individual development plans and these gaps are considered on an informal, ad-hoc basis when hiring new talent. Competency-based assessments are gradually being adopted by more business units.	 The organization assessed employees across core, technical, and managerial competencies and plans, and analyzed results based on a wide variety of demographic data.

 Leading
  On par
  Lagging

We observe industry players aligning business strategy and practices to several aspects of the talent assessment process (continued).

	Financial institution A	Financial institution B	Financial institution C	Financial institution D
Develop an aggregate view of organization-wide capabilities	 The organization has an aggregate view of its leadership capabilities across the organization and uses it to drive succession planning at senior leadership levels. Some individual business units have an aggregate view of capabilities.	 The organization's review of its organizational capabilities is not comprehensive. Reports to the board focus only on technical capabilities and do not include nontechnical capabilities.	 The organization regularly assesses gaps between its current capabilities and future needs and identifies capabilities needed for future success. For example, when the company explores new product areas, it looks beyond traditional bank recruiting channels to other markets and specialties, hiring talent from nontraditional competitors to fill capability gaps.	 The leadership of the organization views the organizational capabilities through a variety of lenses.
Develop measurable action plan to close capabilities gap	 The talent assessments are used as inputs to training and development plans and programs, succession plans, and recruitment targets for pivotal and leadership roles. Critical talent gaps are flagged and business unit managers develop plans to close gaps within specified timeframes.	 The organization has defined its future state clearly but has not conducted an equivalent analysis of its current state. Consequently, capability gaps are not as accurately addressed and measurement is not common practice.	 This US-based multinational financial institution is reactive in identifying talent capability gaps, subsequently revamping its action plan to close the gaps identified. Measurement is limited due to the reactive nature of this process.	 The organization is proactively using results from its talent assessment to identify gaps between organizational needs and employee competencies, and is developing plans to address those gaps.

 Leading
  On par
  Lagging

A framework for response



*Our recommended approach
to the issue.*

A talent assessment process requires a rigorous and objective talent assessment framework to understand talent capabilities, identify gaps, and execute a plan for closing the gaps.

	1	2	3	4	5	6
	Determine appropriate approach	Design competency model	Align with job descriptions	Assess talent and analyze data	Develop action plan	Measure and monitor progress
Activities	<ul style="list-style-type: none"> Determine applicable time, cost, and resource constraints. Match parameters with the approach that is most appropriate for your organization (top down, bottom up, or balanced). Develop communications plan. 	<ul style="list-style-type: none"> Identify critical competencies based on current and future business requirements. Include both technical (such as data analysis) and nontechnical competencies (such as oral and written communication skills). Develop assessment rating scale and behavioral anchors to provide specialized rating scale for each competency. 	<ul style="list-style-type: none"> Understand role requirements and existing job descriptions. Identify required levels of proficiency or benchmarks for each role across all competencies. Weight competencies as necessary. Refine job descriptions as necessary. 	<ul style="list-style-type: none"> Develop assessment tool and interview guide. Assess participants against the competency model (self assessment, manager assessment, and independent assessment as applicable). Analyze final data and identify strengths and development opportunities at individual and group levels. 	<ul style="list-style-type: none"> Develop an action plan to address talent gaps. Refine talent sourcing strategy (e.g., build, buy, rent). Retain, redeploy, or release resources based on assessment results and additional data points (e.g., performance rating). Revisit learning and development plan. Reevaluate rewards strategy as needed to compensate competency-based behaviors. 	<ul style="list-style-type: none"> Establish an ongoing talent assessment system to measure results. Monitor business, functional, and individual performance metrics.
Deliverables	<ul style="list-style-type: none"> Confirmed assessment approach. Communications plan. 	<ul style="list-style-type: none"> Competency model with core, technical, and leadership competencies. Rating scale and behavioral anchors. 	<ul style="list-style-type: none"> Competency-based job descriptions. Minimum competency benchmarks by role. 	<ul style="list-style-type: none"> Assessment tool and interview guide. Assessment results (self, manager, independent). Aggregate report. 	<ul style="list-style-type: none"> Action plan. Refined talent sourcing strategy. Refined learning and development plan. Revised rewards strategy. 	<ul style="list-style-type: none"> Measurement and monitoring plan.

Step 1: Determine appropriate approach.

Evaluate the pros and cons of each approach and select an approach that is most appropriate for the needs of the organization.

Key activities during this phase include:

- Determine time, cost, and resource constraints that will govern the project.
- Match parameters with the approach that is most appropriate for your organization (top down, bottom up, or balanced).
- Develop communications plan.

Key considerations:

- Determine appropriate balance of internal versus third-party involvement based on cost, time, and risk factors.
- Determine how employees will react to the talent assessment and plan communications appropriately.

	Top down	Balanced	Bottom up
Description	<ul style="list-style-type: none"> • Business led with top-down focus. • Self assessment completed by individuals. • Managers validate self assessment information. • Some degree of normalization of data. • Execution with a focus on speed. 	<ul style="list-style-type: none"> • Business led with industry insights and limited coordination support. • Self assessment completed by individuals. • Managers validate self assessment information. • Supplement with independent third-party assessment for critical roles. • Normalize data through leadership review. 	<ul style="list-style-type: none"> • Business led with industry insights and high degree of coordination. • Self assessment completed by individuals. • Peer review and input. • Manager validation through one-on-one review sessions or group relativity sessions. • Full independent third-party assessment of all roles/functions/regions. • Execution with a focus on consistency and rigor.
Pros	<ul style="list-style-type: none"> • Business led. • High level of ownership by management. • Shortest time frame and lowest cost. 	<ul style="list-style-type: none"> • Improved rigor through leadership review. • Independent review and validation resulting in greatly reduced bias. • Represents appropriate balance of cost, time, and rigor. 	<ul style="list-style-type: none"> • Highest level of rigor through complementary approaches to validate self-, manager-, and third-party review. • High degree of consistency, quality, and rigor.
Cons	<ul style="list-style-type: none"> • Inconsistent interpretation across regions, functions, and people. • Potential for management bias (intended or unintended) with no independent validation. 	<ul style="list-style-type: none"> • Increased level of organization angst due to select third-party review. • Additional time and resource needs. • Risk of low buy in for roles in scope for third-party review. 	<ul style="list-style-type: none"> • Highest cost, longest implementation timeframe. • Large number of third-party reviews increases employee angst and impacts productivity. • High degree of coordination required.

Benefits of a tailored approach:

- Most organizations select a balanced approach because it borrows from both the top down and bottom up and strikes a balance.
- Institutions can customize their evaluations based on their specific business needs and necessary timing.
- Institutions can customize their talent assessments based on roles, applying different levels of independent review for critical versus noncritical roles.

Step 2: Design competency model.

An effective competency model considers core, technical, and leadership competencies to support the business strategy.

Core examples

- Collaboration & teamwork
- Analytical thinking
- Oral communications
- Independence & objectivity

Leadership examples

- Inspires & motivates
- Drives execution
- Develops others & self
- Sets vision & direction

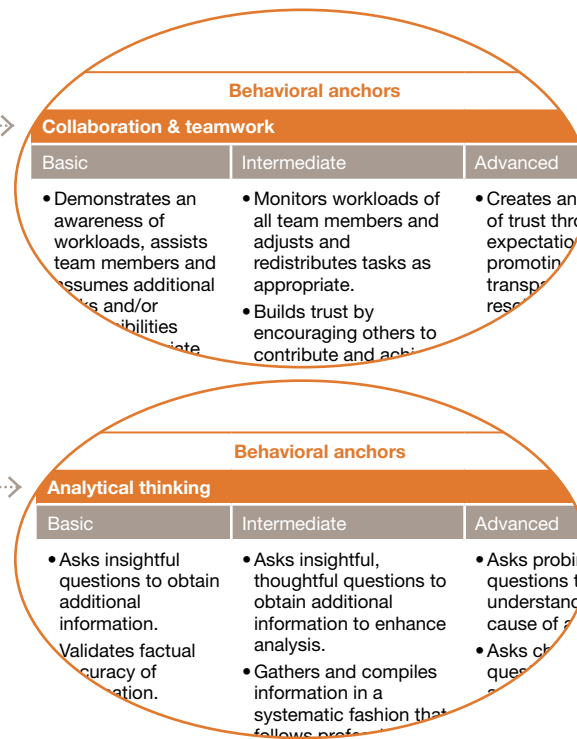
Technical examples

- Specialized functional knowledge
- General information technology
- Data analysis
- Modeling

Proficiency rating definitions		
Rating	Proficiency level	Definition
5	Expert proficiency	Demonstrates all behaviors
4	Full proficiency	Demonstrates in-depth skills
3	Basic proficiency	Demonstrates knowledge
2	Limited proficiency	Demonstrates knowledge
1	No experience	Has not had exposure

Key activities during this phase include:

- Identify critical competencies (knowledge, skills, and abilities) based on current and future business requirements.
- Develop assessment rating scale.
- Develop behavioral anchors to provide specialized rating scale for each competency.



Key considerations:

- Consider your organization's strategic business objectives and confirm that all competencies drive towards those objectives.
- Review pivotal roles, zeroing in on the factors that influence customers in their decision to choose your organization over your competitors.
- More senior roles will likely require more nontechnical skills while more junior roles should have a technical/specialized focus.

Benefits of a competency model:

- An effective competency model provides an overview of the future state of an organization's talent and serves as the basis for people development.
- The competency model enables the organization to consistently drive its people towards the business strategy.
- The competency model also allows for communication of key competencies and expected behaviors for the organization, promoting consistency in expectations.

Step 2: Design competency model (continued).

Establishing the right competency model and the appropriate benchmarks or target levels of proficiency for each competency will increase the value of the talent assessment.

Competencies—Identify necessary skills, knowledge, and abilities.

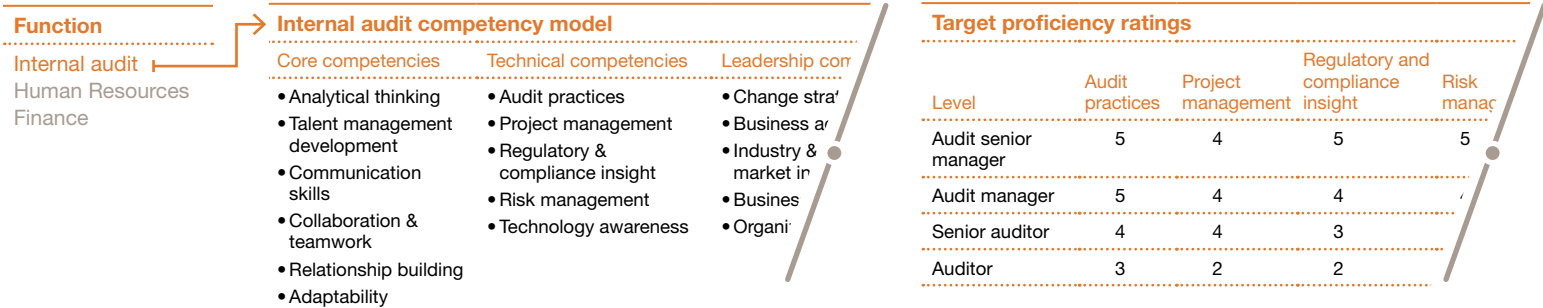
Competencies are necessary skills, knowledge, and abilities critical for on-the-job success. They are unique to each organization or function and often are grouped into three categories:

- Core: Professional skills such as teamwork, analytical thinking, and communication skills; critical for success across all levels and roles within the organization.
- Technical: Specialized skills required in specific roles and/or levels such as risk management in an internal audit function.
- Leadership: Managerial skills required by leadership to drive the organization towards its strategy. These include coaching, mentoring, and change management. These skills are critical for success, particularly at senior levels, but minimum, basic proficiency would be expected of all roles.

Benchmarks—Define the level of proficiency for each competency.

Benchmarks establish the level of proficiency necessary for a particular role or level within a specific function. For example, a senior auditor would be expected to have a higher level of proficiency in audit skills than a junior auditor.

Benchmarks should be established based on leading industry expectations and not solely on internal expectations for an individual company. Financial institutions that fail to take leading industry expectations into consideration risk becoming myopic and falling behind in key talent areas.



Step 2: Design competency model (continued).

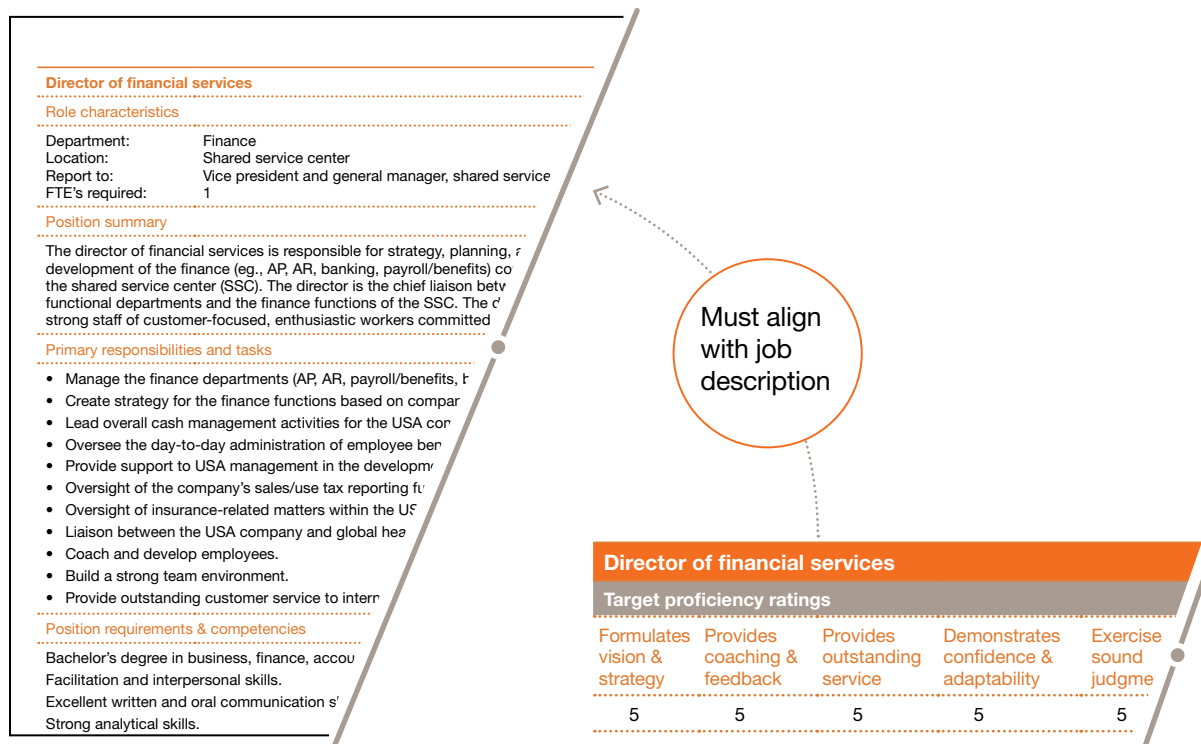
In the future, organizations will need to attract, develop, and retain talent that reflects an “athlete” model with a more well-rounded and agile suite of skills.

We expect that winning competencies of the future will include adaptability, technology agility, innovation, communication skills, network building, and a global mindset.

The “athlete” model: Winning competencies for future talent		
Competency	Description	Driver
Adaptability	<ul style="list-style-type: none">• Works effectively with a variety of people across diverse backgrounds and geographies.	<ul style="list-style-type: none">• Organizations will need to become increasingly more open to new cultures and ways of working.
Technology agility	<ul style="list-style-type: none">• Navigates and embraces technology as a business driver and productivity enhancer.	<ul style="list-style-type: none">• As technology develops to a new level, organizations will need to be able to leverage technology capabilities to keep pace with competitors.
Innovation	<ul style="list-style-type: none">• Uses creative thinking and challenges current ways of working.	<ul style="list-style-type: none">• Organizations must be able to continuously innovate in order to keep pace with competitors and technological changes.
Communication skills	<ul style="list-style-type: none">• Effectively uses multiple modes of communication (in person, virtual) to connect, persuade, and mobilize audiences.• Expresses ideas clearly and adapts style and content of communication appropriately for the audience.	<ul style="list-style-type: none">• As the business environment becomes more global and virtual, it will be critical to communicate clearly and effectively, adapting to the audience as appropriate.
Network building	<ul style="list-style-type: none">• Goes beyond building relationships to develop strong networks and acts as a facilitator or hub to connect groups of people.	<ul style="list-style-type: none">• Developing and maintaining a strong network will become more important as technology reduces face-to-face interactions.
Global mindset	<ul style="list-style-type: none">• Understands and respects cultural differences.• Adopts a global perspective by staying current on issues outside the local geography.• Leverages relationships across cultures and countries.	<ul style="list-style-type: none">• Understanding and adapting to cultural differences is now a requirement as more organizations compete on a global level.

Step 3: Align with job descriptions.

The competency model and talent assessment process should align with job descriptions to provide the foundation for recruiting, selection, deployment, and promotion decisions.



Key activities during this phase include:

- Understand role requirements and existing job descriptions.
- Identify required levels of proficiency for each role across all competencies.
- Weight competencies as necessary to provide an accurate final rating for individuals.
- Revisit and refine job descriptions as necessary.

Key considerations:

- Leverage existing job descriptions, but do not rely on them entirely or let them unduly influence your job design.
- Group similar roles into role families—those jobs that involve similar types of work and require the same proficiency level across a number of competencies.
- If the business strategy changes, the role design should also change.
- Revisit the job descriptions and proficiency targets regularly to confirm they still makes sense for the organization.

Benefits of aligned job descriptions:

- Responsibilities and expectations for all employees are clear and transparent.
- Roles support the business strategy, which translates into employees seeing their impact on the organization and feeling engaged.
- Job descriptions are updated to include new job responsibilities and corresponding competencies.

Step 4: Assess talent and analyze data.

The talent assessment process identifies both strengths and development opportunities at a group and individual level. The talent assessment results should inform talent selection, deployment, and development decisions.

Key activities during this phase include:

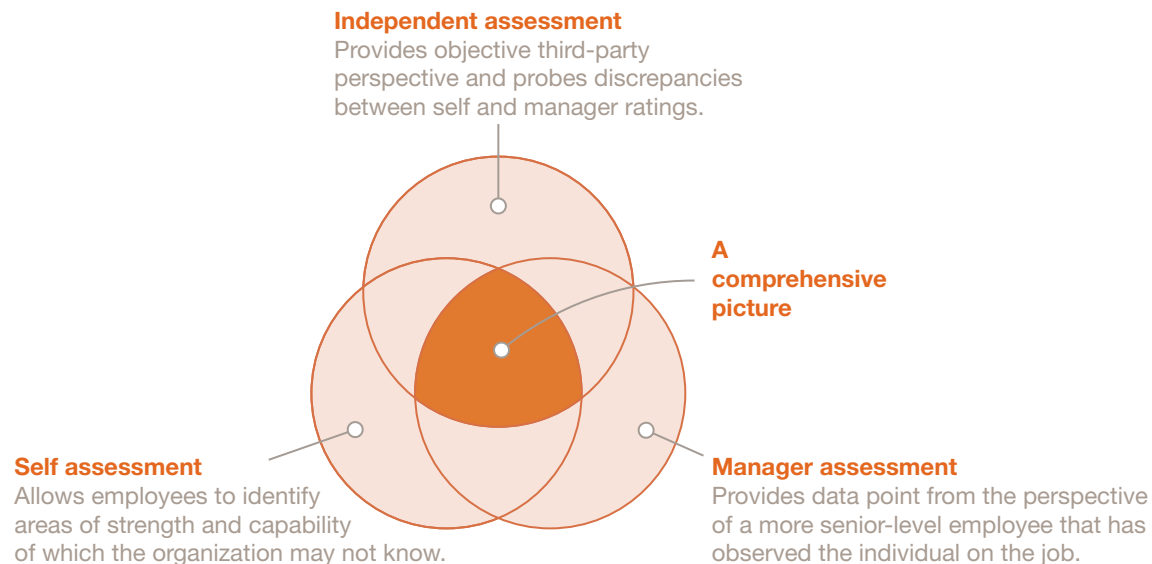
- Assess employees against the competency model via multiple data points (such as self assessment, manager assessment, and independent assessment).
- Perform normalization of data (such as leadership review).
- Analyze final data and identify strengths and development opportunities at individual and group levels.

Key considerations:

- Include multiple data points during assessment process to promote a holistic view of the employee.
- Involve an independent third-party in the skills assessment to achieve objective results.
- Use technology to efficiently conduct the assessment (such as a web-based survey with automated reminder e-mails and a status portal).
- Develop feedback reports at both the aggregate and individual levels.

Benefits of talent assessment data:

- Provides feedback aligned to the strategic business objectives and promotes consistent messaging to employees about measurement metrics.
- Helps employees prioritize their efforts based on those that are most important for the organization and their role; promotes transparency.
- Provides a baseline measure of proficiency levels from an objective perspective, based on deep subject matter expertise in the functional areas assessed.



Step 5: Develop action plan.

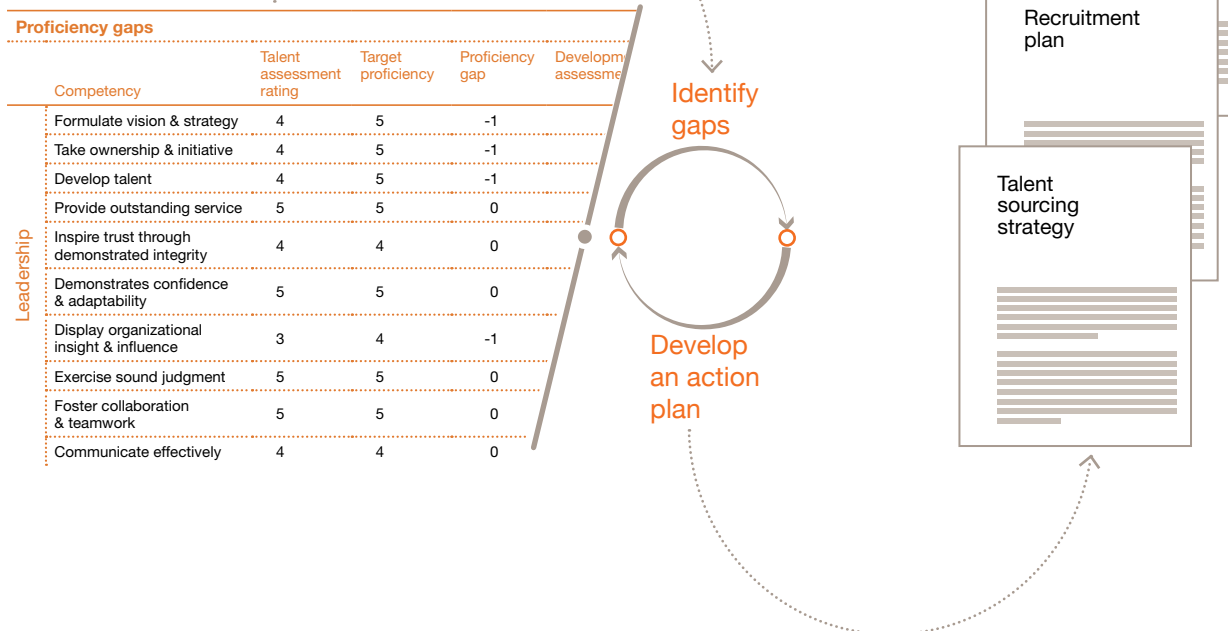
After all results have been consolidated and analyzed, the action plan must be created at both an individual and group level in order to address the proficiency gaps identified.

Key activities during this phase include:

- Develop an action plan to address capability gaps at individual and group levels.
- Refine talent sourcing strategies—build, buy, or rent the needed talent.
- Retain, redeploy, or release resources based on assessment results and additional data.
- Reevaluate rewards strategy as needed to compensate competency-based behaviors.

Key considerations:

- The plan should focus on developing current employees to meet the needs of the future-state model.
- The plan should incorporate the organization's competencies into its recruiting processes.
- Core competencies should be reinforced by compensation incentives, rewards, and training strategy.
- Managers should receive training on how to provide feedback and help employees prioritize development needs.



Benefits of an action plan:

- Individuals have a development tool that provides clarity on specific competencies that are critical to their role in the organization.
- The organization has tangible data to drive training, recruiting, and sourcing strategies.

Step 6: Measure and monitor progress.

To make sure the talent strategy is linked to the business strategy, performance metrics—business, functional, and individual—should be developed and results monitored.

Key activities during this phase include:

- Establish an ongoing talent assessment system to measure results.
- Monitor business, functional, and individual performance metrics (e.g., balanced scorecard).
- Monitor progress at the group and individual levels and adapt the competency model and talent assessment processes as needed.

Key considerations:

- Monitor progress on competency development at both the group and individual levels.
- Provide communications on an ongoing basis to the appropriate audience via appropriate medium.
- Derive performance metrics from the organization's core competencies and confirm they support desired outcomes.
- Build quantitative and qualitative metrics into scorecards and reports.

Benefits of monitoring progress:

- The process of measuring and monitoring identifies areas that are successful and areas of weakness.
- The data generated can support the business results associated with human capital management.
- The data informs the talent strategy and promotes continuous improvement.

How PwC can help



*Our capabilities and
tailored approach.*

What makes PwC's Financial Services practice distinctive

Integrated global network	With 34,000 industry-dedicated professionals worldwide, PwC has a network that enables the assembly of both cross-border and regional teams. PwC's large, integrated global network of industry-dedicated resources means that PwC deploys the right personnel with the right background on our clients' behalf, whenever and wherever they need it.
Extensive industry experience	PwC serves multinational financial institutions across banking and capital markets, insurance, asset management, hedge funds, private equity, payments, and financial technology. As a result, PwC has the extensive experience needed to advise on the portfolio of business issues that affect the industry, and we apply that knowledge to our clients' individual circumstances.
Multidisciplinary problem solving	The critical issues financial institutions face today affect their entire business. Addressing these complexities requires both breadth and depth, and PwC service teams include specialists in strategy, risk management, finance, regulation, operations, and technology. This multidisciplinary approach allows us to provide support to corporate executives as well as key line and staff management. We help address business issues from client impact to product design, and from go-to-market strategy to operating practice, across all dimensions of the organization. We excel at solving problems that span the range of our clients' key issues and opportunities, working with the heads of business, risk, finance, operations, and technology.
Practical insight into critical issues	In addition to working directly with clients, our practice professionals and Financial Services Institute (FSI) regularly produce client surveys and thought leadership on the critical issues that face the industry. These publications—as well as the events we stage—provide clients with new intelligence, perspective, and analysis on the trends that affect them.
Focus on relationships	PwC helps organizations and individuals create the value they're looking for. We're a member of the PwC network of firms in 158 countries with more than 180,000 people. We're committed to delivering quality in assurance, tax, and advisory services.

We look across the entire organization—focusing on strategy, structure, people, processes, and technology—to help our clients improve business processes, transform organizations, and apply technologies needed to run the business.



Client needs	Issues we help clients address
Build effective organizations	<ul style="list-style-type: none"> • Designing operating model and organization structures to adapt to business strategy and regulatory changes. • Driving organizational efficiencies and innovation through developing adaptive organizational structures. • Creating faster decision making and responsiveness through improved and streamlined governance and decision rights.
Leverage talent	<ul style="list-style-type: none"> • Defining and implementing an effective HR organization. • Rethinking pivotal talent and strategic workforce planning. • Assessing talent and understanding required competencies to improve execution.
Innovate and grow profitably	<ul style="list-style-type: none"> • Reshaping the IT function into a source of innovation. • Transforming business information to drive insight and fact-based decision making. • Evaluating acquisition and divestiture strategies to position for the future. • Realizing deal synergy and value. • Developing sustainability programs that add value.
Manage risk and regulation	<ul style="list-style-type: none"> • Building a risk resilient organization. • Managing enterprise resource planning investment and project execution risk. • Safeguarding the currency of business; keeping sensitive data out of the wrong hands. • Maintaining capital project governance and accountability. • Assessing and mitigating corruption risk in global business operations.
Reduce costs	<ul style="list-style-type: none"> • Driving efficiency through shared services. • Redesigning finance to realize efficiency and competitive advantage. • Taking control of cost through effective spend management and cash forecasting practices.

Appendix



Select qualifications.

Talent assessment— Fortune 100 financial services provider

Issues	The financial services organization faced increased regulatory scrutiny and market uncertainty. Leadership needed to establish that its internal audit function had the necessary core, technical, and leadership capabilities to effectively assess and identify risks in its increasingly complex financial services businesses.
Approach	<p>PwC helped conduct a talent assessment of more than 80 internal audit managers and staff to better enable the organization to understand its talent strengths and weaknesses. The assessment was conducted for the chief audit executive at the behest of the client's audit committee and the regulator. The engagement consisted of three workstreams:</p> <ul style="list-style-type: none">• Competency design: PwC helped develop a competency model comprised of leading industry core, technical, and leadership competencies for the internal audit group.• Job design and benchmarking: PwC helped develop 18 internal audit job profiles. The profiles included key functions, responsibilities, job requirements, and performance measures for each role. Benchmarks based on leading industry practices were established for each competency and tailored for each job profile.• Skills assessment: PwC helped assess 80 internal audit managers and staff against the organization's competency model. The process included a self assessment, manager assessment, and individual interviews conducted by PwC professionals. With results in hand, PwC provided recommendations for action and next steps at the aggregate level to enable further development and improvement of internal audit's capabilities.
Benefits	<p>The skills assessment provided the organization and its regulator with an aggregate view of internal audit's capabilities across a range of core, technical, and leadership competencies. The skills assessment better enabled internal audit to:</p> <ul style="list-style-type: none">• Identify core competencies required for a successful internal audit function.• Define a clear baseline from which to measure performance and progress.• Clearly communicate roles and responsibilities.• Establish and communicate performance expectations and measures.• Improve current talent through identification of strengths and skills gaps.• Identify strategic and targeted learning and development opportunities.• Make better strategic hiring decisions through improved understanding of current staffing.• Demonstrate commitment to the highest standards of performance.

Operating model update through use of talent assessment— Large global bank

Issues	The bank needed to assess its North American finance organization of approximately 1,600 employees (including 1,300 onshore workers), with the objective of identifying opportunities for efficiency and centralization. The results would help drive development of a new operating model and a leading finance organization.
Approach	<p>During a ten-week, high-level assessment of the organization, PwC worked with the client to utilize an interview-based approach and met with approximately 120 finance personnel to arrive at preliminary recommendations. The approach included:</p> <ul style="list-style-type: none">• Interviewing senior- and mid-level managers.• Applying the overarching theme of centralization and standardization.• Helping to coordinate with several ongoing performance improvement and efficiency initiatives that were being conducted in parallel to the high-level assessment and which had to be cross-referenced to confirm that redundant opportunities were not being documented.• Identifying redundant and/or overlapping processes and roles, including immediate cost efficiency and process improvement opportunities, and candidates for centralization or offshoring.• Identifying themes among business units, opportunities to centralize certain functions, and opportunities to improve certain processes.• Providing strategic and tactical recommendations to improve the finance operation, including:<ul style="list-style-type: none">- A future state operating model- Suggested span of control and organization charts to enhance management layers- Mapping of staff to organization chart- High-level definition of roles and responsibilities for finance and accounting staff• Drafting and agreeing on an action plan to pursue identified opportunities.
Benefits	The output of this project provided the CFO with a future-state operating model and a high-level overview and roadmap for transforming finance for the next two years. This future-state operating model could potentially save the bank an estimated \$20 million.

Competency model development and talent assessment— Large global investment bank

Issues	As part of a series of people-related improvement initiatives, the client sought to develop a customized competency model as a foundation for a talent assessment to be used globally across the department.
Approach	<p>PwC helped the client design a collaborative competency model and talent assessment that engaged representatives from across the internal audit department. The approach included:</p> <ul style="list-style-type: none">• Working with the client to develop a competency model using a highly participative approach, including the mobilization of a core working team representing diverse regions from across the globe.• Conducting interviews and working sessions to distinguish among professional core, leadership, and technical competencies.• Eliciting and developing expansive behavioral descriptions to clearly define each competency and identifying proficiency targets, which served as the basis for the talent assessment, by level, for each competency.• Obtaining approval of the competency model from the senior leadership team.• Facilitating a pilot communications session in Asia to socialize and gain support for the model and talent assessment process.• Launching the talent assessment and assessing more than 250 employees globally in a clearly defined evaluation process that allowed strengths and opportunities to be identified at the individual and group levels.
Benefits	PwC's work on the competency model and talent assessment has helped the client to define and communicate key competencies and expected behaviors for the group, promoting consistency across all regions globally. The assessment also has helped the client to identify developmental gaps in knowledge, skills, and abilities at the individual and group levels, determine the appropriate priorities, and refine existing processes (e.g., training, job design, recruitment) to fill identified gaps. The model also created a foundation that the client can leverage for the annual talent assessment and for development of an appropriate people strategy.

Skills assessment launch to bolster competency model— Mid-size regional bank

Issues	The client's corporate audit function is in the process of transforming into a more consultative, risk-based internal audit organization. One action identified in the strategic plan was to conduct a skills assessment of its staff to gain insight into the organization's skill gaps and training needs in four areas: leadership, managerial, business, and technical audit skills.
Approach	<p>PwC worked with the client to design a thorough, objective skills assessment process to accurately assess existing competency skill levels of employees and to identify strengths and development opportunities at both a group and individual level.</p> <p>Specific activities included:</p> <ul style="list-style-type: none">• Refinement of the existing competency framework and development of behavioral anchors for 28 competencies.• Deployment of a self-assessment survey to 110 employees, and a manager assessment survey to the managers of each employee.• Behavioral-based interviews with 25 employees to review assessment data.• Normalization of data via review of assessment ratings with the management committee and incorporation of data revisions.• Training session with managers on how to discuss skills assessment results with employees.• Review of aggregate results with the management committee and subsequently with the senior managers, directors, and skills assessment survey participants.• Distribution of individual results with employees and managers for development planning.
Benefits	PwC's refinement of the competency model and launch of the skills assessment has helped the client to define and communicate key competencies and expected behaviors for the corporate audit group, promoting consistency across all employees globally. The assessment also has helped the client to identify development gaps in knowledge, skills, and abilities at the individual and group levels, determine the appropriate priorities, and refine existing processes (e.g., training, on-the-job coaching, recruitment) to fill identified gaps. The competency model also created a foundation that the client can leverage for the annual skills assessment and development of an appropriate people strategy.

*Competency model design—
Insurance brokerage
company*

Issues	As part of a large-scale operating model and technology transformation, the client sought to develop a competency model and launch a skills assessment across its US core brokerage business. The results will be used to inform a talent rebalancing strategy and plan, since a workforce reduction will be required to execute the business case.
Approach	<p>PwC worked with the client to design a competency model and question-based survey.</p> <p>Specific activities included:</p> <ul style="list-style-type: none">• Development of a competency model, which included core, managerial, and technical competencies with corresponding definitions, behavioral anchors, and behavioral-based survey questions.• Development of a tailored competency survey approach to include self assessment, manager assessment, additional manager data validation, and third-party interviews.• Socialization of the competency model and survey approach with key business leaders and the legal/employee relations department.• Facilitation of various communication forums to provide an overview of the process to employees.• Launch of survey to about 4,000 employees.• Analysis of data at both aggregate and individual levels.• Distribution of individual results with employees and managers for development planning.
Benefits	The development of the competency model and survey process has supported the client's goal of becoming an elite insurance brokerage business. These changes help employees understand the knowledge and skills required for their role in the new operating model. The survey process also supported the client's overall talent management strategy because aggregate results are used to inform training and recruiting initiatives at an organization-wide level. Finally, these changes provide a data-driven approach to the talent rebalancing process that may cut costs for the organization. The client has been leveraging the competency survey on an annual basis to measure and track progress.

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"The right stuff: How financial institutions can use talent assessments to improve returns on human capital," PwC FS Viewpoint, July 2013.
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