

# *How financial service companies can execute the right people strategy*

*Highlights from our  
December 13, 2011, webcast*



---

# Introduction

Today, every financial services company is deploying business strategies to respond to regulatory reform, manage risk, drive growth, control costs, generate productivity and restore trust and credibility. In order to be effective, each company's business strategy needs to be supported by, and integrated with, its people strategy.

**People strategy** – the set of plans, policies and procedures that companies use to attract, develop, deploy and retain talent – is increasingly important to success. Especially in financial services, an industry in which individual talent is essential, employing a people strategy effectively can make the difference between success and failure.

PwC's Financial Services People & Change practice is focused on delivering capabilities such as organization design, talent management, change management and human resources transformation on a standalone or integrated basis. These capabilities help to address priority client issues such as regulatory change, risk management, growth strategies and cost and productivity management.

On December 13, 2011, leading practitioners from PwC conducted a Webcast on "How Financial Services Companies Can Execute the Right People Strategy." During the Webcast, they discussed the challenges companies face in deploying their people strategy and ensuring that they are fully aligned with their business goals and strategy.

More than 400 financial services executives and human resources professionals from across the full spectrum of the financial services industry participated in the Webcast, and contributed their thoughts through responses to a real-time online survey that probed important issues.

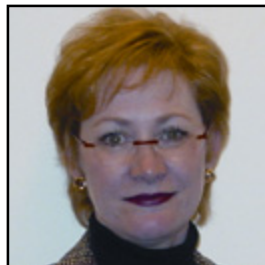
This highlights document summarizes the dialogue and some of the views offered by the participating members of the Financial Services People & Change practice and also recapitulates the results of the Webcast participant polling. The review provides insights into the thinking of industry professionals on people strategy issues and thoughts on best practices for managing these issues in an era of volatile change.

We hope the Webcast summary proves interesting and useful. For more information, please feel free to contact one of the members of the PwC Financial Services People & Change practice, listed at the back of this document, or your PwC representative.

## Webcast leaders



**Bhushan Sethi** is Leader of PwC's Financial Services People & Change practice and also serves on the firm's Global Financial Services HR Consulting Leadership team. He has more than 17 years of global consulting experience, designing and implementing business operating models and managing large-scale transformations across different functions in the banking, insurance and asset management sectors.



**Elaine M. Miller** is a Managing Director, Advisory People & Change, at PwC. She has more than 25 years of experience, both working in the industry and consulting to management clients in the financial services and insurance sectors. She specializes in large-scale change management leadership, leadership development and organizational design.



**Scott Stevenson** is a Director, Financial Services People & Change, at PwC. He has more than 18 years of experience as both a management consultant and a human resources executive. He has helped financial institutions redesign and implement global organizational strategies, structures, roles and business processes across the front, middle and back offices.



**Brooks Colburn**, the Webcast's moderator, is Director, National Thought Leadership, PwC. Prior to joining PwC in 2006, he spent 17 years at IBM, where he was director of executive and employee communications for IBM's Personal Computer Company. He also has served as a speechwriter for CEOs including IBM's Sam Palmisano and General Electric's Jack Welch.

## ***Today's business issues demand that companies integrate business and people strategies***

Bhushan Sethi set the stage for the Webcast by noting that PwC's extensive research and experience with financial services companies has made it clear that talent and people issues are now at the forefront for CEOs, as shown by these survey findings:<sup>1</sup>

*With nearly 40% of financial services organizations reporting difficulties in deploying experienced talent globally, the development of new strategies for managing talent is of high concern for 2012.*

*Two-thirds (65%) of asset management CEOs see the availability of key skills as a significant concern and 36% believe that it is the biggest threat to their growth prospects.*

*Nine in 10 (87%) of banking CEOs stated in a recent PwC survey that they intend to change their strategies for managing talent.*

*Seven in 10 (70%) of banking CEOs believe that a limited supply of talent is the most pressing challenge in 2012.*

*Nearly three in five (57%) of banking and capital markets CEOs see the availability to key talent as a significant threat to their growth prospects.*

However, the concern is not about the people strategies themselves, which are well-defined in many financial institutions. Processes are in place for designing the appropriate organizational structure, delineating job roles, conducting talent reviews and developing succession plans.

Instead, the most significant workforce-related challenge for many companies is implementing and consistently executing their people strategy, especially in an environment of competing priorities for investments, the need to manage in a complex global environment and regulatory-driven change.

Reviewing the results of polling of Webcast participants who were asked to identify the challenges they face in executing their people strategy, Sethi noted that 29 percent identified market volatility is their biggest challenge. However, several other factors were grouped closely together as the runner-up challenge, led by changes in executive leadership. This is an industry, Sethi added, that has seen a great deal of churn in the C-Suite and also the business leader level. That drives a change in terms of how people strategy issues make, or do not make, the executive agenda.

---

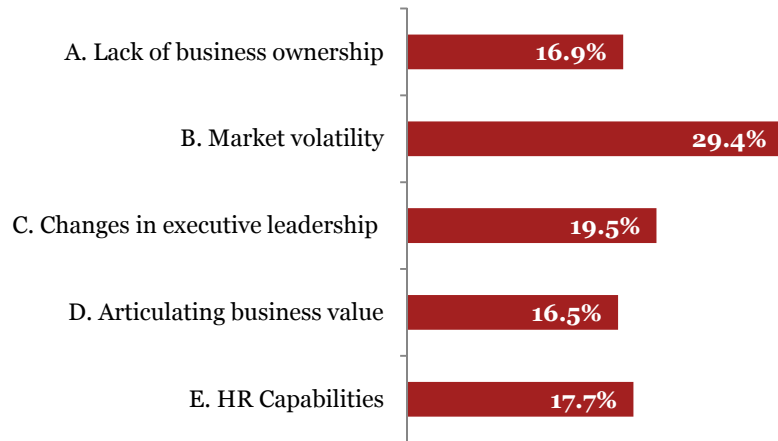
<sup>1</sup> Sources: Q12 Meta-Analysis: the Relationship Between Engagement at Work and Organizational Outcomes. Gallup. 2009; "Building Engagement Capital." Corporate Leadership Council. 2011; "Best Practices in Risk Management: A Function Comes of Age." Economic Intelligence Unit. 2007; PwC Saratoga Human Capital Effectiveness Survey, 2011

## Some key views expressed

---

### Question 1: *What are the biggest challenges your organization faces in executing people strategy?*

---



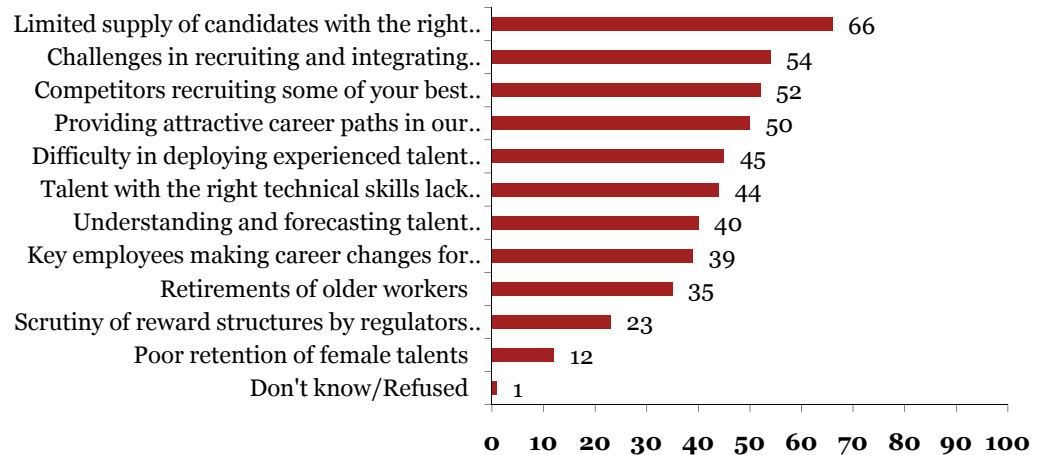
A survey of financial services CEOs conducted by PwC underscored the fact that attracting, retaining and deploying talent is among the challenges that the industry is expecting to face during the next three years, according to Sethi.

As the following chart shows, the greatest concerns include getting the right supply of candidates, recruiting and integrating candidates – both experienced hires and entry-level one – and the talent poaching that some companies see.<sup>2</sup> Especially in a challenging market and regulatory environment, there is a need for qualified talent to fill critical, pivotal roles in such areas as finance and internal audit, risk management and regulatory compliance.

Many of the issues that show as being of lesser concern, such as the retention of female talent and reward structures and executive compensation, actually have been the subject of executive focus, and many companies already have well-defined plans in these areas.

---

<sup>2</sup> Source: 14<sup>th</sup> Annual PwC Global CEO Survey, 2011



Sethi identified four central people strategy questions that each company must address:

- How do you structure your organization to deliver against your business strategy?
- How do you ensure that the right talent management and development programs are in place to mobilize talent, review and develop talent and plan for succession?
- How do you develop a culture that incents the right behaviors, such as operating consistently on a global basis, operating with a high degree of ethics and collaboration – both internally and with external partners and service providers?
- What are the performance measures put in place to reward and reinforce the right behavior?

Each of these questions around a company’s people strategy, in turn, entails execution considerations in four key areas, including managing regulatory-driven change; implementing a global organization strategy as organizations become more fragmented and more complex; prioritizing talent management; and, building robust human resources (HR) capabilities.

Sethi said that one of the most important considerations around a people strategy is that it must be measurable to be executable, especially in an industry that thrives on data and analytics. Measuring the impacts of a people strategy is crucial to its success, and a leading practice in the industry. In fact, correlations are being made between some of the components of a company’s people strategy metrics such as revenue, customer retention and assets under management. These metrics and correlations are being incorporated into business scorecards in order to determine the value being created.

Scott Stevenson added that, increasingly, what companies are seeing is a real focus on how they relate incented behaviors to customer outcomes such as satisfaction and retention. In turn, this is producing a greater linkage in measured results to employee rewards and to other evaluations of employee engagement as part of a larger examination of the employee value proposition.

The same business pressures that are affecting other components of financial services companies' operations are fundamentally altering how they attract, develop, motivate, organize, reward and utilize talent. Finding, retaining and developing talent in this new environment is among the most critical challenges facing the industry.

### ***Managing regulatory-driven change***

Bhushan Sethi said that today's regulatory environment, in the United States and globally, is driving a need to refine a number of people strategy components, especially how work is organized and decisions are made.

For example, Solvency II rulings are forcing institutions to restructure and re-evaluate organization design, and the Dodd-Frank Act has increased the level of transparency and attention to risk management operations and the ways in which employees are compensated and incented.

The regulatory environment is, and will continue to be, a vital catalyst of changes in hiring, on-boarding, talent development, compensation and succession planning practices. This is true at both the executive and middle-management levels, especially in critical functions.

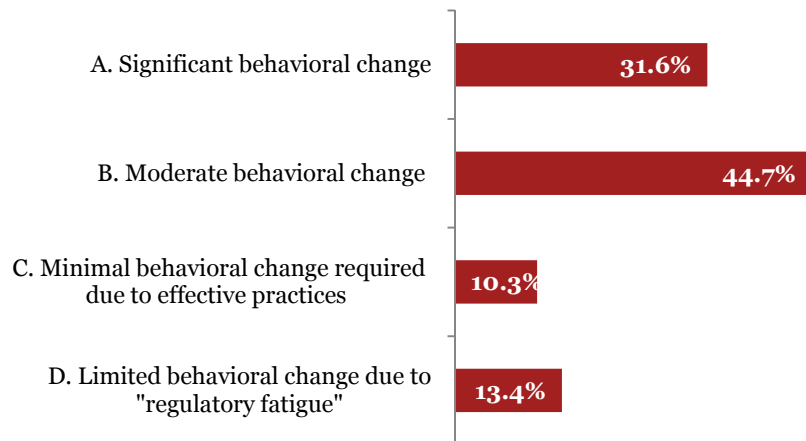
Sethi cited the results of polling of Webcast participants who were asked to what extent today's regulatory environment is serving as a driver of behavioral change. As the following chart shows, more than 75 percent said that the regulatory environment is either a moderate or a significant catalyst of behavioral change – in how management decisions are made, how functions are structured, how employees are hired and on-boarded, how compensation is defined and how incentive compensation is measured and adjudicated.

## Some key views expressed

---

### Question 2: To what extent is today's regulatory environment acting as a catalyst to behavioral change?

---



The succession planning process is an example of how regulatory-driven changes have risen to the forefront in many organizations. Some firms have succession plans not only at an executive level but also for middle management positions in critical functions. In fact, regulators have inquired about succession plans for certain functions and, if natural successors are not in place within an organization, have asked firms about how they could place external candidates.

Another example is with incentives and rewards. Dodd-Frank is driving significant changes in executive compensation, and also influencing regulator interest in how middle managers are incented, especially in areas such as mortgage banking. Regulators want to ensure that incentives are aligned with the best interests of the customer, rather than the organization alone.

Scott Stevenson emphasized that regulators are concerned with organizational structures. For example, the industry's focus for Solvency II has been on the capital allocations and other requirements within Europe. Yet regulators are highly interested in the organization as well – not merely the oversight structure but the management structure as well. The companies that are ahead of the curve on this are taking it as an opportunity to readjust their talent strategies, as well as their organizational strategies and governance structures.

The challenge for the industry and its leaders, Sethi made clear, is not only in implementing these changes but also ensuring that regulatory-driven changes become a sustainable part of corporate culture and business practices.

*“The regulatory environment is not going away, regardless of political persuasion or personal view. [Financial services] is a highly regulated market, and that will continue to be the case, both domestically and globally.”*

– Bhushan Sethi

At the same time, companies also must strive to manage regulatory fatigue and avoid a “tick-the-box” mentality for compliance. For instance, when it comes to effective succession planning, firms should not be content to merely provide information about the line of succession to regulators but also implement effective training processes that ensure potential successors are prepared to assume their responsibilities.

Ultimately, Sethi concluded, success in managing regulatory-driven change relies on clarity of roles and responsibilities and the value proposition companies are offering their people.

### ***Implementing a global organization strategy***

Scott Stevenson noted that the first Webcast polling question made clear that leadership changes were occurring widely throughout the financial services industry. Concurrent with such changes in leadership often come changes in organizational strategy, especially if the leadership change was the result of perceived shortcomings in performance.

The impacts of such volatility are reflected in the results of the third polling question of the Webcast’s participants. Stevenson noted that 34.4 percent of the respondents said there has been more than one review and redesign of their organization over the past 12 months – an “unbelievable” number that certainly is accompanied by significant changes in strategy.

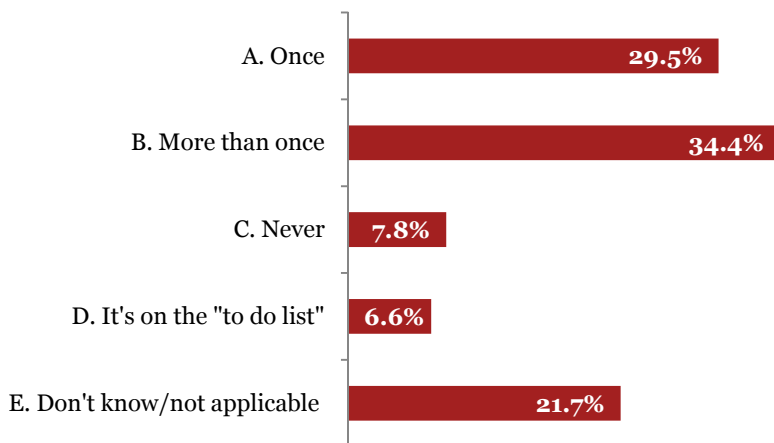
Another 29.5 percent of respondents said their organization has had a single redesign in the past year – meaning that more than three in five companies had one or more redesigns, a significant level of change.

## Some key views expressed

---

### Question 3: In the last 12 months, how often has there been a review and redesign of your organization?

---



Stevenson noted that delivering a truly global organizational strategy in a volatile environment, one with frequent organizational redesigns and changes in strategy, is highly challenging.

Companies need to do several things to develop global organizational strategies effectively, according to Stevenson. The first is to generate baseline data and to manage global workforce data. To be executable, a people strategy must be measurable, something that is especially critical in a data- and analytics-based industry. Metrical correlations need to be established between the people strategy and concrete business outcomes, such as revenue or profit.

In order to do this, companies must understand their workforces: Who they are, what they are doing and what skills and capabilities they possess. Such information is as important as financial data.

Companies that have focused significant attention and investment on tools and technologies for the analysis of financial data are now realizing that they need now to apply similar capabilities to analyze workforce data.

Such analysis is necessary for companies to manage their workforces effectively, especially for purposes of capacity management – the ability to better predict and manage a more complex workforce. Determining how to improve productivity and control costs in a complex, knowledge-based industry requires a focus on the innovative methods of productivity management that data-driven analysis makes possible.

In order to implement organizational strategies, Stevenson said that many companies are shifting to establish more flexible and adaptive organizational structures, especially by attempting to break down historic

*“Enacting true change requires three things. First, understand the attributes that you are trying to drive, from a business perspective. Second, make sure that you are able to measure the changes that you’re trying to make, and that you have course correction built in. Third, know when you are achieving those results, so you can recognize and reward and celebrate the success.”*

– Elaine Miller

geographical or product-based silos. This can enable more streamlined responsiveness, improved speed of decision-making and better collaboration.

The focus of some companies has been to react to disruptions in the market and the growth opportunities by taking the best of what is in their current silos and laying them across a more horizontally-organized, matrix-type of organizational structure.

As they do so, companies are attempting to ensure effective decision-making despite a more horizontal structure. As an example of what not to do, Stevenson cited the intergalactic congress in a “Star Wars” film, in which thousands of participants attempted to make decisions. Instead, companies need to pursue more streamlined governance, especially at the board and executive levels.

One strategy that is in favor is to mobilize and manage global “project organizations,” teams created on short notice to respond to specific opportunities. Such teams can generate sizeable revenue. However, it is crucial that these organizations can be disbanded before they can become recurring cost centers or before they take on a life of their own, functioning even if they are no longer needed for strategic purposes.

Bhushan Sethi added that the biggest challenge for global financial institutions implementing a new operating model is not design; typically, organizations are well-structured. Instead, the problem is execution related to the high levels of complexity around organization models in the financial services environment.

Focusing on driving synergies and generating cost takeouts is important to these companies, but there frequently are tensions and even outright conflicts among these goals as executives seek to balance such considerations as customer segments, workforces and cost sensitivities.

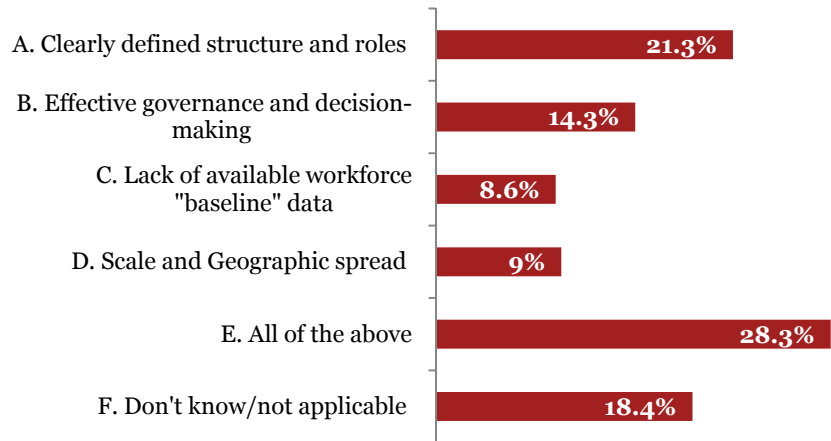
As they seek to balance these concerns, managers are designing around adaption and flexibility as they change how they organize themselves from – for example – product silos to organizing themselves around critical customers. Organizations that execute well have a management process that enables them to design around costs, flexibility and capability within the same business.

### ***Prioritizing talent management components***

Elaine Miller cited the Webcast poll results in which participants were asked to identify the most significant challenges in their organization’s current design. A majority said that there are multiple significant challenges, including: Clearly defined structure and roles; effective governance and decision-making; lack of available workforce baseline data; and, scale and geographic spread.

## Some key views expressed

### Question 4: In your current organization design, what are the most significant challenges?



“What we’re seeing is that it is a bit of ‘all of the above,’” said Miller. “It is about structure. It is about decision-making. It is about having good data. And, frankly, we didn’t get one important response, which is, ‘how do we execute with the right people doing the right things?’”

In fact, the companies that are making good strides in successfully executing their talent strategies are looking at both supply and demand, developing their ability to manage demand peaks and troughs in a very dynamic and transactional environment. Outsourcing is an obvious solution, but so is identifying appropriate hires, including by tapping alternative talent pools such as contingent workers, and doing so in innovative ways.

*“While good design and decision-making models are vital, it really is people that bring this all to bear. And, if we don’t have the right people in the right roles doing the right things in the right way, it all falls apart.”*

– Elaine Miller

While most organizations use some form of contract resources, the challenge is to use them more strategically. Companies closely examining their contract workforces sometimes find that not only are some of them *de facto* employees by virtue of long service but also are working on projects that no longer significantly contribute to the company’s business strategy. It was their ability to take a fresh look at resource management processes and tools that helped these companies to really better define when and how contingent workers could be used more strategically.

This approach is not just about contract workers; it is about finding creative ways to identify both entry-level and experienced talent from nontraditional sources, especially people with very transferable skills who may lack traditional financial services backgrounds. For example, some companies are trying to leverage former military personnel. While they may lack business experience, they often have qualities – such as discipline, rigor and organizational skills – that can help them succeed.

In very different ways, working mothers are entering financial services through flexible work arrangements and job-sharing. Companies also are hiring part-time workers, such as retired Baby Boomers who are making encore performances in second careers, as a source of really valuable experience.

These approaches, said Miller, involve taking a fresh look at organizational needs and conducting rigorous functional and enterprise-wide talent assessments to look more creatively at sources of talent. Based on those assessments, they need to be making targeted investments in talent development, focusing on building leadership and professional competencies.

Notably, this is not only a US issue but a global one. Leaders in markets with limited talent pools are finding it very challenging to source professionals, and some are forging alliances with universities and professional services firms to recruit capable people who may lack financial services training. Law and engineering programs can be valuable sources of such talent.

Increasingly, companies are taking very deliberate approaches to source, train and build professional competencies. Career paths are being developed to include rotations to other countries and to expand these individuals' language and business skills for a global economy. This not only is attractive to students and younger workers but also builds a strong bench for the business.

Miller said that, concurrent with formal career development processes, companies should implement a deliberative approach to leadership succession planning for executive and middle-management positions. This is part of a broader effort to retain talent.

In the past, financial services companies could lean heavily on prestige and compensation to attract top talent. This may no longer be the case. In today's environment, companies need to become much more creative to attract and retain talent.

In order to understand how to retain outstanding performers, companies need to understand their organization's employee value proposition; in essence, what attracts and retains workers, especially the best ones. This means understanding how employees perceive the company's brand, its values and its commitment to their career development. Together with compensation, these are becoming the key drivers in attracting the right talent.

Scott Stevenson added that the concept of workforce flexibility, and, ultimately, virtualization is increasingly accepted. This acceptance often stems from experimentation with more flexible workforce arrangements which were found to result in workers who were much more engaged and ultimately more productive.

This approach offers companies new avenues in terms of resources, especially in a knowledge-based industry in which technology can play an important role. Doing so expands the employee value proposition beyond just compensation while also allowing companies a competitive advantage.

### ***Building HR capabilities to drive sustainable change***

For the better part of two decades, HR departments have been working to become full partners with their business-line counterparts. The importance of this is greater than ever, with HR functions being challenged to demonstrate relevance and lead in areas related to implementation of people strategies.

Scott Stevenson said that many organizations and even some business leaders see their people strategy as their human resources strategy, owned by the HR department rather than by the business lines. The reality is that truly being able to effectively execute a people strategy requires it being recognized across the organization as supporting the business strategy, and requiring the support of the business lines in order to succeed.

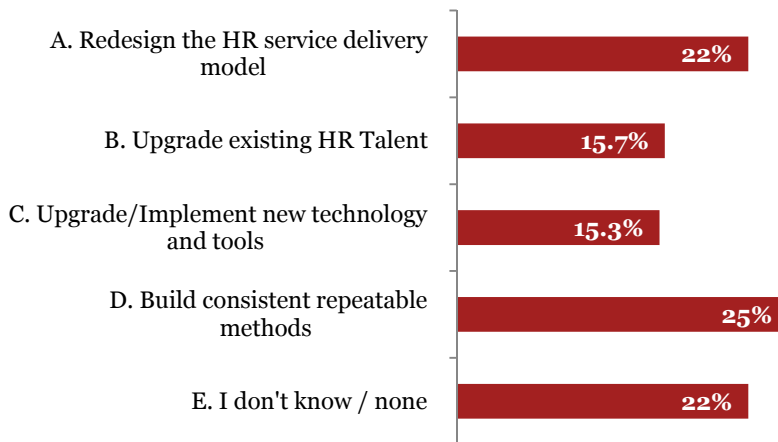
Stevenson noted the survey results in which Webcast participants were asked to say where their HR teams should focus their efforts to best support execution of the people strategy. One in four (25 percent) of those participating in the poll said their teams should focus on building consistent, repeatable methods around how to facilitate and execute the people strategy. Other responses, including redesigning the HR delivery model, reflect perceptions of how HR is actually delivering its services. In each case, they reflect a need for upgrading existing HR talent and the available technology and tools.

## Some key views expressed

---

### Question 5: Where should your HR team focus its effort to best support execution of the People Strategy?

---



Stevenson said that the role of the HR department in effectively executing the people strategy begins with its ability to define, lead and sustain culture change. The most effective way to understand culture is to understand the common behaviors and industry and organizational norms that go beyond what is articulated in policy statements.

In order to do this, HR also must play a significant part in measuring those behaviors. If the HR team can identify key targeted behaviors and define measures by which they can be assessed, then they can play a very effective role in using that as a tool to help execute the people strategy.

Another important role for HR to play, alluded to in the survey responses, is to establish common approaches to workforce planning that go beyond simply budgeting to integrate it with talent management, performance management, succession planning and other functions.

Managing change also can add value. Building out a consistent framework by which HR owns, implements and addresses change management can add tremendous value. Without a consistent process and approach, change may happen too rapidly and with less focus and value.

*“Do you design a house and assume one house is going to fit every family and every need in every climate everywhere around the world, or do you understand what the family is trying to achieve and build that house for them? That’s exactly what HR should be doing when it comes to organizational design.”*

– Scott Stevensom

Finally, with more than a third of the Webcast survey respondents saying that their organizations have gone through redesign more than once in 12 months, a consistent approach to redesign is essential.

Common approaches to workforce planning, managing change and organization design are needed in many companies, and HR professionals can add value by helping to formulate consistent, principles-based frameworks to drive, and manage, rapid change and organizational redesign.

To truly become an effective business partner requires more than simply understanding the business, although too many people in HR organizations truly do not know how the business that they’re serving makes money. It requires understanding the people implications of the business, both in terms of how to achieve an objective and the downstream implications for individuals.

HR professionals can help to establish flexible, yet consistent, practices for incentives and rewards. PwC’s CEO survey found that two-thirds of CEOs wanted to move to more non-monetary rewards, which places significant pressure on the HR organization to deliver that. This entails articulating the total rewards package back to the organization in much the same way that they articulate the employee value proposition.

Regardless of its other value, HR still must examine its delivery model, as more than a fifth of the Webcast survey respondents mentioned, in order to improve the quality of its services and control the costs of their delivery. Leading HR organizations are looking into outsourcing and co-sourcing their activities, reducing their administrative activities and reinvesting the cost savings in more strategic capabilities.

Perhaps the most important thing that HR professionals can do is to serve as effective models of the people strategy they are trying to execute. By operating as change agent role models and defining enterprise culture change, especially targeted behaviors, HR teams can be much more effective business partners.

# Key questions to ask yourself

Based on the four topic areas discussed in the Webcast, which include some of the biggest challenges around the execution of people strategies, PwC has developed a self-diagnostic for financial executives and human resource professionals to use in diagnosing their own organizations.

<i>To what extent do you agree or disagree with the following:</i>		<b>Fully Agree</b>	<b>Partially Agree</b>	<b>Disagree</b>
<b>Regulatory driven change</b>	• Does your organization identify and leverage alternative talent pools to manage peaks and troughs?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• Does your organization have well-defined succession plans and leadership development programs?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• Is your organization's top talent being identified and developed?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Global organization strategy</b>	• Executive leadership roles, responsibilities, and decision-making accountabilities are well defined	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• Your organization is communicating key messaging around regulatory reform to the organization?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• Is leadership supporting and enabling desired behavioral changes to ensure that the regulatory reforms are met?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Prioritizing talent management components</b>	• Does your organization have an enterprise wide view of employees by business function and geography?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• Can your organizational structure adapt to changes in business models and market place needs?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• Does your organization have a clarity around decision making accountabilities between global and regional entities?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• Does your organization have the ability to mobilize "project organizations" globally?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>HR capabilities</b>	• Is there an effective working relationship between HR and Business Leaders?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• Is HR acting as a role model in driving sustainable change?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• Are services being delivered by HR currently addressing business models?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

For more information, please contact:

**Bhushan Sethi**

*Managing Director*

*Financial Services People & Change Leader*

Phone: 646.471.2377

E-mail: [bhushan.sethi@us.pwc.com](mailto:bhushan.sethi@us.pwc.com)

**Scott Stevenson**

*Director, Financial Services People & Change*

Phone: 646.471.7803

E-mail: [scott.a.stevenson@us.pwc.com](mailto:scott.a.stevenson@us.pwc.com)

**Elaine Miller**

*Managing Director, Advisory People & Change*

Phone: 646.471.8359

E-mail: [elaine.m.miller@us.pwc.com](mailto:elaine.m.miller@us.pwc.com)

**[www.pwc.com](http://www.pwc.com)**

Based on a PwC Webcast presented on December 13, 2011.

*Moderator:* Brooks Colburn, Director, National Thought Leadership, PwC.

© 2012 PricewaterhouseCoopers LLP, a Delaware limited liability partnership. All rights reserved.

PwC refers to the US member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.

This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.