

# *The power to perform*

## Human capital 2020 and beyond

March 2017

*This recap document summarizes the dialogue from a recent webcast and shares the results of the webcast participant polling. Tune in to our replay for more in-depth insights.*



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# *Contents*

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|                                     |   |
|-------------------------------------|---|
| Introduction .....                  | 1 |
| 2020 human capital priorities ..... | 4 |
| In closing.....                     | 7 |
| PwC contacts .....                  | 9 |

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# Introduction

Executives, business leaders and human resources professionals from over 30 financial services organizations joined Bhushan Sethi, Dave Hoffman and Julia Lamm recently to discuss how to take a proactive approach to talent management in preparation for 2020. Throughout the webcast, participants contributed their thoughts by responding to polling questions that probed important issues, as Bhushan, Dave and Julia provided insight from two relevant PwC publications, [PwC's 20th CEO Survey: Key FS talent findings](#) and [The power to perform: Human capital 2020 and beyond](#).

Lamm set the webcast in motion by giving highlights from trends found in PwC's CEO survey, in which 487 financial services CEOs in 71 countries participated. The survey addressed themes around people, from the importance of purpose and diversity and inclusion to the changing demand for skills. Themes highlighted included:

## **Growing skills gap**

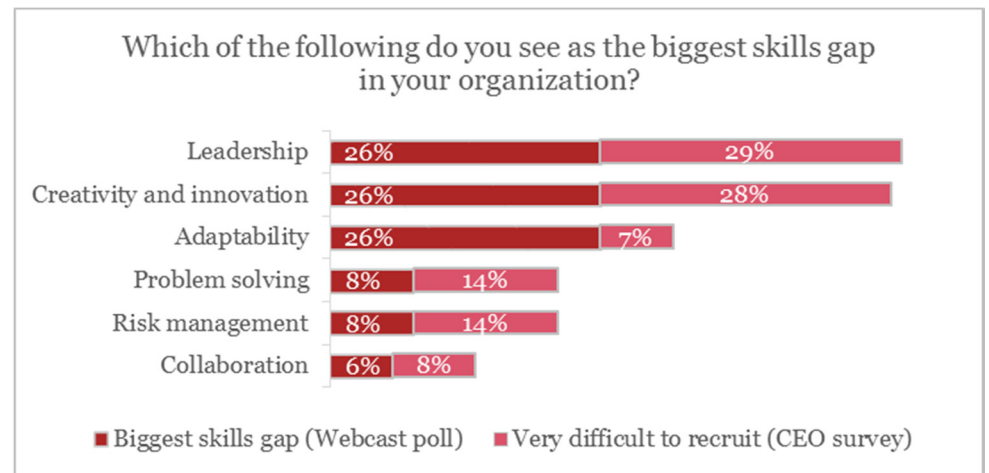
*“Softer, management skills: problem solving, design skills, empathy, relationship building – those are the ones our clients are really looking at to say, ‘how do I have people adapt and build those skills and demonstrate those skills,’ because those are the skills, as organizations are looking to be more agile and nimble, that we want people to have to be able to flex into any future business model, any future technology, any future regulatory environment.”*

*– Bhushan Sethi*

72% of FS CEOs see the limited availability of skills as a threat to growth, a number that has seen significant increase in the last three to four years. The skills gap comes from a mix of both technical and leadership skill sets. Meanwhile, Sethi added, the skills demanded by organizations to meet business objectives are evolving. Clients experience technical gaps in skills, but there is also a premium being placed on skills that cannot be easily replicated by technology, such as creativity and adaptability.

Webcast respondents indicated that leadership, creativity and innovation, and adaptability are among the biggest skills gap within their organization. Coincidentally, FS CEOs found leadership, and creativity and innovation to be among the most difficult skills to recruit.

Hoffman noted that many financial services institutions are striving to drive how to increase the identification of innovative ideas and how to understand, embrace and pursue some of those ideas. Sethi added that it is equally important for organizations to consider innovation as a process, and think about how they design roles, incentives and management practices around it.



## Rethinking people strategies

*“What we’d all agree is that there is uncertainty now about the regulatory environment. So whether it’s changes around the DOL fiduciary rule or what we are doing around Dodd Frank, all of that will drive a different human capital strategy.”*

– Bhushan Sethi



While financial services organizations are trying to adjust their people strategy to address issues such as diversity and humans and machines working together, cost and productivity targets and the risk and regulatory environment continue to have the greatest influence on people strategy.

Hoffman noted that finding an equilibrium point between changing risk and regulatory challenges and cost and productivity challenges will be important for companies to consider going forward. He also offered insight from his experience with banking clients investing in robotic process automation, predicting that strategies around human and machine interaction, data analytics and artificial intelligence will move to the forefront in the coming years.

### ***The currency of trust***

66% of CEOs see lack of trust as a threat to growth, up from 60% last year. Data privacy concerns and lasting effects of the recession mean trust has become an asset for companies and, more importantly, their customers. Customers gravitate towards FS providers whom they trust to do the right thing, and correlation between trust and profitability make trust a priority for companies. Lamm mentioned that an important element of proactively building trust is having a well-defined purpose statement embedded into the overall business strategy and individual processes within the organization.

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# 2020 human capital priorities

PwC has established seven “**must win**” human capital imperatives that every financial institution must address going forward.

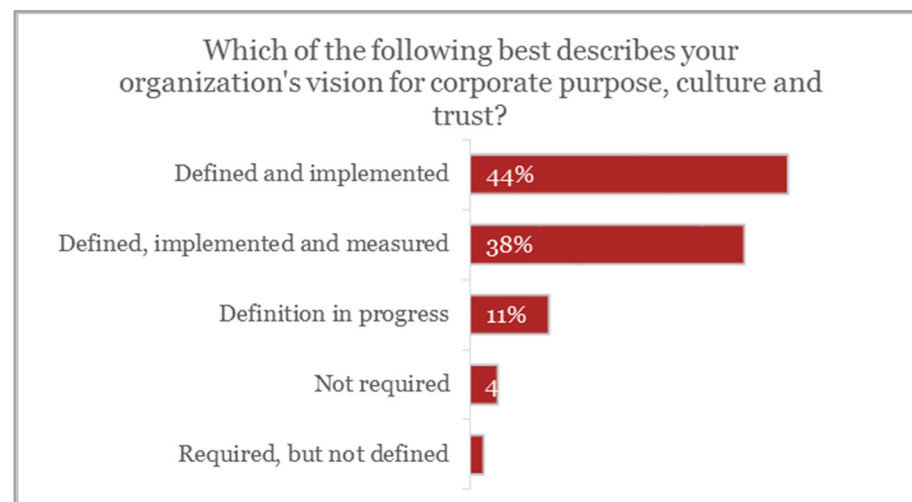


Those priorities are:

## **Build trust and purpose**



44% of webcast respondents indicated that their organization’s vision for corporate purpose, culture and trust is “defined and implemented,” while 38% reported the vision to be “defined, implemented, and measured.” Sethi commented that this response represents a positive outlook, specifically noting the importance of a balanced scorecard for measuring pieces surrounding learning, employees, interactions with customers, risk measures, etc.

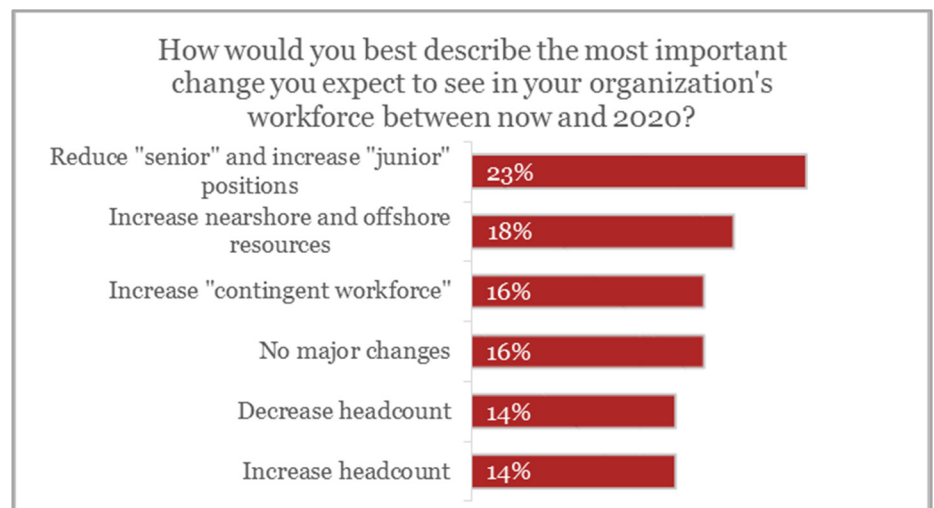




## Plan for the workforce of the future

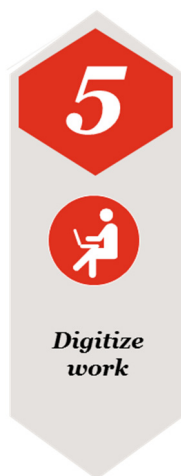
*“A dynamic approach around workforce planning that flexes to changes in business models, technology, regulatory environment and cost drivers is required. Connecting all of those is the next challenge that financial institutions need to tackle.”*

– Bhushan Sethi



Sethi sees different clients at different steps in planning for the workforce of the future. Across financial services, challenges such as an aging workforce and lack of diversity, are increasing pressure on firms to strategically plan for their future workforce. For example, some insurance firms dealing with an aging workforce, are taking the opportunity to strategically redefine how they operate, create partnerships with universities to attract junior talent earlier, and develop location strategies that position them to better attract talent.

Lamm added that location strategy discussions have become more prevalent over the last few years as clients increase nearshoring priorities. Lamm stressed the importance of partnership between the HR and Real Estate functions in making decisions concerning geographic footprint and workforce strategy.



## ***Digitize work***

*“Many of our clients are really thinking about robotic process automation as digital labor... it is as if they are people, so think about them that way. And it is different than traditional automation in many ways.”*

*– Dave Hoffman*

It is becoming increasingly more important to think of digital labor as another part of the workforce—as resources, instead of simply technology and automation. It is within the future of digitization that the seven priorities converge. With the introduction of digitization comes the reconsideration of role definitions, requirements and compensation. This change provides a need for HR compensation, recruitment professionals and the business to come together while workers consider how to reskill themselves to continue to provide market value. Every function in financial services will be impacted by robotic process automation in some way.

# In closing

Two final polling questions provided insight into human capital priorities and challenges of respondent's organizations.

36% of respondents during the webcast indicated that planning for the workforce of the future was the top priority (followed by 32% selecting "develop skills") for their organization to address by 2020. Interestingly, FS CEOs share a similar message, as 71% indicated they have changed their people strategy to reflect the skills and employment structures they need for the future.



On the other hand, 33% of respondents during the webcast indicated that the biggest challenge to achieving their top priority is availability of data and tools (followed by skills gap at 28%).



FS organizations as they prepare for 2020, regardless of their top priority and associated challenges, should be:

- Testing out different business scenarios and understanding what implications these scenarios have on talent.
- Developing proactive responses to business changes and incorporating human capital priorities.
- Identifying ways to track and monitor change, and communicate the return on human capital investments.
- Defining the role of the business and HR in owning and executing talent-related changes.

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### *To read more about these topics*



The power to perform:  
Human capital 2020  
and beyond

<http://www.pwc.com/gx/en/industries/financial-services/publications/hc-2020.html>



20<sup>th</sup> CEO Survey: Key  
talent findings in the  
financial services industry

<http://www.pwc.com/gx/en/ceo-agenda/ceosurvey/2017/gx/deep-dives/talent-financial-services.html>

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