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Workforce of the future:
How strategic workforce planning can help financial institutions today, tomorrow, and beyond

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Executive summary

Top-performing teams don't happen by accident; they're built to support an organization's strategy and culture. So, why do many financial institutions still treat workforce planning as an afterthought?

Over the past decade, the financial industry has seen laws change, risk management strategies shift, and technologies evolve. Trust—a cornerstone of the industry—has eroded as banks closed and complex get-rich schemes were uncovered.

In response, financial institutions have updated their business models, cost structures, geographic footprints, and even their leadership. Most firms agree that talent strategy is also a high priority—it is a concern of 93% of CEOs, according to PwC's CEO Survey.[1] Surprisingly, though, many firms have not built a sustainable workforce planning capability that systematically manages talent demand and supply to deliver on the business strategy.

Connecting the talent dots

Too often, financial institutions do not make the connection between their recruiting pipeline, succession plans, business strategy changes, and other business factors impacting talent. Each is treated separately, leading to an ad hoc approach to managing talent.

Those who do not connect the dots may lose out due to increased costs, inability to execute on key projects, and negative impact to brand. The constant churn of laying off employees in one part of the organization, only to hire in another part, takes a toll on both the organization and its employees.

The right plan makes a difference

A systematic approach to workforce planning lets an organization put the right people with the right skills in the right jobs, when and where they are needed. The ability to understand and strategically fill your talent needs also builds the agility required for long-term success.

Six steps to effective workforce planning

We've identified the steps that matter most:

1. Find the traits and skills that lead to success at your organization, given its strategy.
2. Determine what skills, knowledge, and experience you need across the whole business.
3. See where you're strong now, and where you could be even stronger.
4. Create the plan to hire, train, or "rent" the right people, even if things change.
5. Put the plan into effect and make sure that everyone "gets it."
6. See what works, and adapt as needed.

These steps build on each other with a logic that creates buy-in among managers and staff.

Looking forward, we expect that skills shortages, changing demographics, lack of workforce data, and the growing need to manage diversity will require financial institutions to solve tomorrow's workforce challenges today.

1 PwC, "Good to Grow: 2014 CEO Survey," January 2014, www.pwc.com.

What does workforce planning mean to you?

Workforce planning is a broad topic, and it means something a little different to every individual.

Read on to learn about how leading financial institutions are using it to respond to market changes, adapt to shifting regulatory requirements, and plan for changes in their workforce.

Point of view

In a PwC survey, 59% of financial services CEOs said they were concerned that the availability of key skills posed a threat to growth prospects.[1,2] So why do so many institutions neglect workforce planning?

Financial services CEOs have good reason to worry about talent.

Talent demands hit all-time high

The Dodd-Frank Wall Street Reform and Consumer Protection Act and the Consumer Financial Protection Bureau are changing regulatory expectations across banks. As a result of new regulations, 53% of financial services CEOs say that it has been difficult to find or attract a skilled workforce.[3]

Institutions are looking for risk and regulatory experience. And they are not looking for just one individual—they are looking for several at the same time. Since a pool of talent is not waiting to be hired, how do financial institutions overcome this challenge?

Danger—demographic cliff ahead

Emerging markets are seeing rising demand for insurance as economies expand and people acquire more wealth to protect. Global insurers have not been able to find the right talent to keep up. While demand in the US has been more stable, insurers are having a hard time replacing their aging workforce.

Carriers struggle with geographic, brand, and compensation challenges when searching for hard-to-find skills such as IT and product expertise. But even with the most coveted office locations and competitive salaries, they are finding that they simply can't find the talent needed to meet demand. Instead, that talent is going to tech organizations, government agencies, and non-profits.

Growing pains

Many financial institutions—particularly those in the asset management industry—have turned to technology and outsourcing to help scale their business models.[4]

What happens to the employees that remain? They are often asked to adapt from very operational roles to more strategic ones, or they may find that they've morphed into vendor managers. In many cases, they do not have the training or experience to execute these roles well, resulting in dissatisfaction and higher turnover. How can financial institutions overcome this challenge?

By 2020, the number of jobs that require a master's degree will increase by **more than 20%**

Less than 20% of organizations believe their strategic workforce planning initiatives are effective.

Source: i4cp Strategic Workforce Planning Knowledge Center, www.i4cp.com, accessed November 5, 2013.

1 PwC, "Good to Grow: 2014 CEO Survey," January 2014, www.pwc.com.

2 As used in this publication, the term "skills" refers to skills, knowledge, and abilities.

3 PwC, "Good to Grow: 2014 CEO Survey," January 2014, www.pwc.com.

4 PwC, "From good to growth: Why institutionalizing hedge funds creates value for owners and investors," November 2012, www.pwc.com/fsi.

While most leaders agree that workforce planning is important, few are actually doing it.

Why is there a skills gap in your organization?

Percentage of respondents selecting reason as top skills gap

Source: American Society for Training and Development.

Workforce planning is a proactive approach that helps organizations make sure they have the right people with the right competencies and skills in place, when and where they want them, to achieve their business strategies. It requires looking at your workforce to match talent demand against talent supply.

The missing link between strategy and people.

Our work with financial services institutions suggests that many institutions have neglected workforce planning, relying instead on shorter-term, tactical maneuvers that react to market needs. It's often done in isolation within departments and performed infrequently, if at all. Financial institutions are often caught unprepared when specific talent needs arise, and are scrambling to fill these gaps quickly—leaving one of the most valuable benefits—linkage between strategy and people—on the table.

In fact, in a poll for the American Society for Training and Development, of the 79% of organizations that said they had a skills gap, 51% said it was because their workforce's skills didn't match changes in strategy.[1]

We've witnessed the results time and again:

- Organizations have very little insight into how they will be impacted by demographic changes, such as retirement. Workers with specialized skills are walking out the door without clear successors.
- Hiring and firing decisions are reactive and based on gut instinct, rather than a fact-based analysis of what makes employees successful. Turnover is high in some areas, while others are saddled with employees who keep the organization afloat—but don't do much to move it forward.
- Employees are frustrated by expectations to achieve targets without the experience or capabilities they need to succeed. As a result, projects falter and employees leave, taking years of institutional knowledge with them.

1 American Society for Training and Development, "Bridging the Skills Gap," www.atsd.org, accessed November 13, 2013.

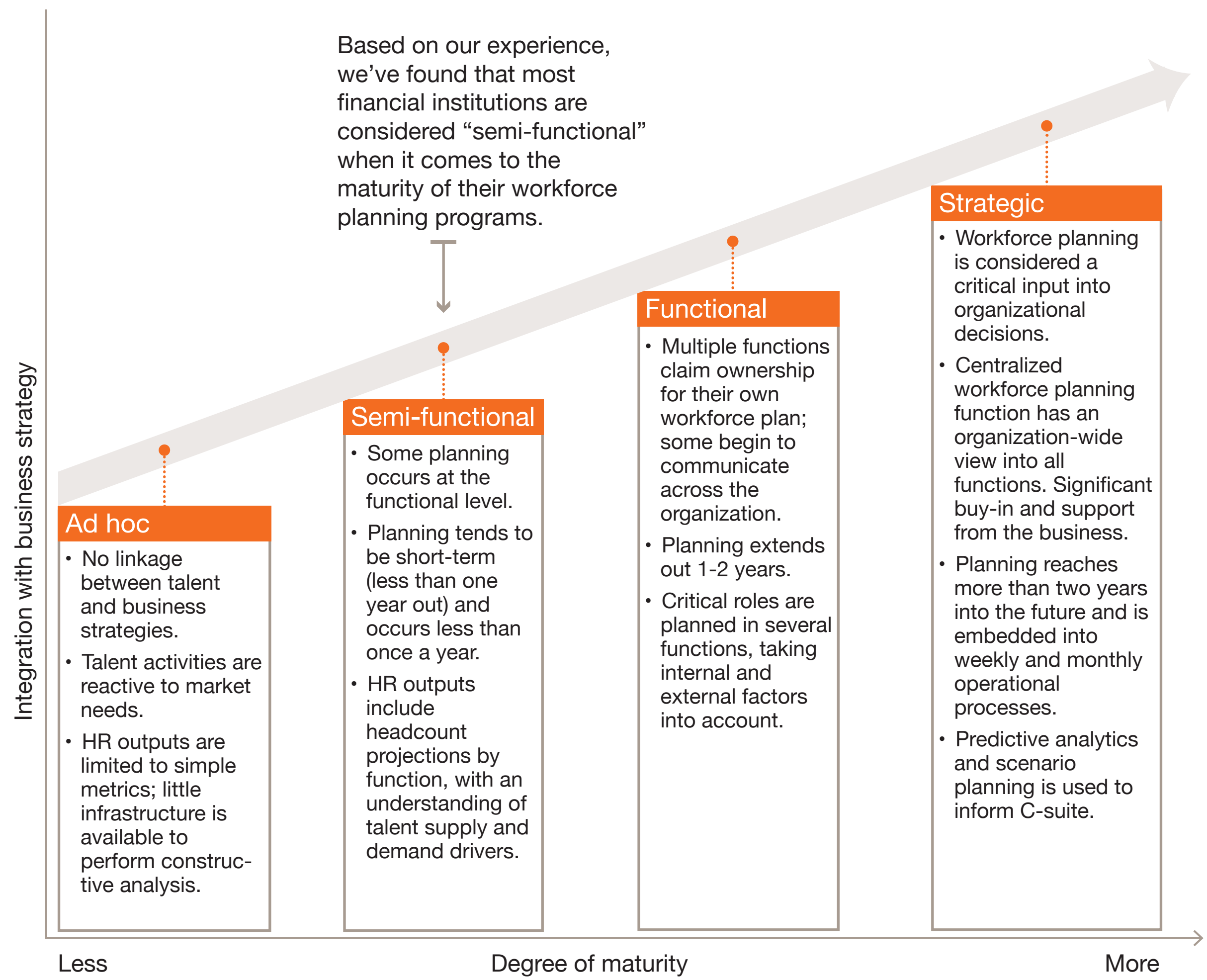
While workforce planning exists in pockets at many institutions, we've encountered few that have taken it to a strategic level enterprise-wide.

What barriers stand in the way of a strategic workforce planning function?

- People don't understand what workforce planning is and how it can impact bottom-line results, leading to a lack of buy-in from the business.
- Lack of talent is seen as a recruiting problem that should be handled by HR, rather than the complicated outcome of multiple factors—such as poor planning around future products, weak employer brand, and inadequate development of high-potential employees.
- The skills, knowledge, and abilities critical for on-the-job success are not systematically defined, making it difficult to measure supply and demand for specific talent needs.
- Data and infrastructure aren't able to support the analytics and scenario modelling needed to develop meaningful forecasts.

In our experience, securing the commitment of leadership and transforming the culture around workforce planning is a critical element in getting it right.

Workforce planning maturity model



There is no quick fix for the talent issues facing the industry. Instead, financial institutions should thoroughly evaluate their workforce needs and construct deliberate strategies and tactics to manage them.

So, what works, and what doesn't?

In many organizations, workforce planning is limited to a headcount planning exercise performed by Finance. While helpful, this does not consider many of the broader issues linked with workforce supply (such as attrition, graduation rates, and career paths) and workforce demand (such as sales expectations, seasonal market shifts, and new products).

The most successful approaches share three things in common:

1. **Centralized ownership.** Workforce planning should be centralized, with a view into each function and business unit. One effective arrangement we've seen has been for HR to own the workforce planning process, while partnering with Finance and the business.

2. **Consistent, enterprise-wide process.** Workforce planning should use a consistent framework that is deployed at the business unit and functional level. This framework defines how the organization will go about identifying the skills it has and the skills it needs—and then, how it should fill the gaps. Ideally, the process is embedded in the annual planning cycle.

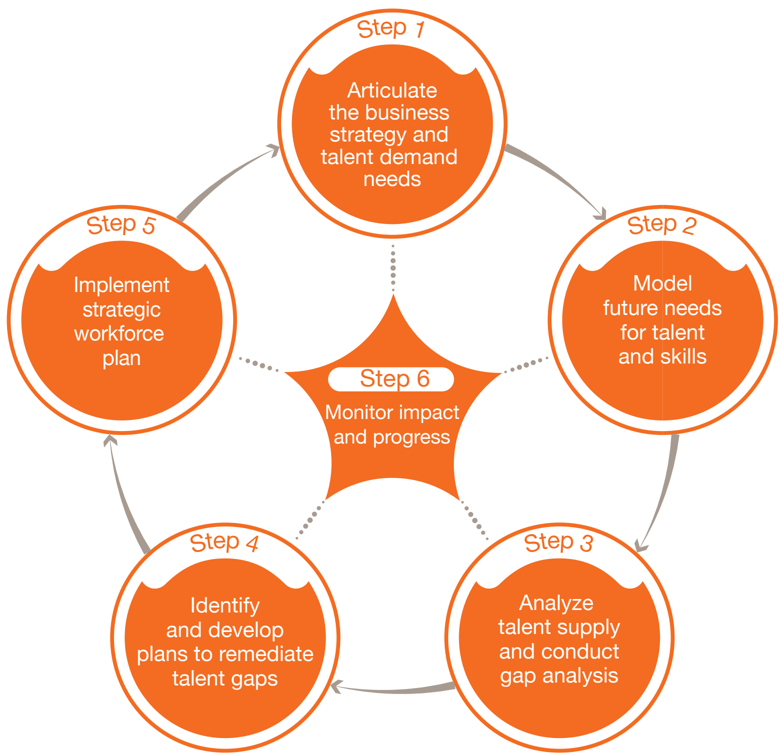
3. **Supported with data.** While poor data quality can discourage the use of data, we've found that trying to move forward without it is like operating in a vacuum. Good workforce plans use both internal and external data to inform scenario planning, capacity planning, and capability planning throughout the enterprise.

Workforce demand drivers		Workforce supply drivers
Business model • Macro economic trends • New products, services, and channels • Regulatory requirements (e.g., capital adequacy, stress tests) • Mergers and acquisitions • Changes in the competitive landscape (e.g., new entrants, disruptive innovation)	← Long-term →	**Total labor market** • Labor legislation (e.g., region, country, or state) • Political environment • Work-life preferences • Demographic trends • Urbanization • Availability of qualified labor pool • Quality of academic institutions • Employer brand
Market demand • Demand for products and services • Competitor activity (e.g., promotions) • Budgeted headcount • Service expectations • Compensation • Client coverage model	← Medium-term →	**Internal labor market** • Competencies and performance gaps • Workforce diversity • Quality of learning and development programs • Internal mobility • Defined career paths and succession planning • Employee engagement and retention
Operational planning • Short-term financial targets (e.g., revenue, profitability targets) • Budget planning • Transaction volumes • Cyclical client demand • Short-term change in external environment (e.g., natural disaster, financial crisis, geopolitical tension)	← Short-term →	**Worker availability** • Flexible workforce (e.g., contractors, vendors) • Talent redeployment to meet changes in demand • Workforce flexibility and work/life balance • Management practices • Recruitment cycle time • Productivity metrics

Our experience has helped us craft a cyclical approach to workforce planning. It consists of six essential steps.

Most organizations define their business strategy, but few go through a formal process of thinking about how changes in their strategy will affect the skills they need to execute the strategy. Doing this is essential, as strategic changes—like entering a new market or launching a new product—often demand new skills.

In the remainder of this paper, we go into our six-step approach in more detail, and also discuss key success factors we've seen across financial institutions.



The organizational genome

Like human beings, each organization has a genetic code that perpetuates winning traits from one generation to the next. An organization's genome consists of its attitudes, ethos, and culture. The people who thrive in an organization have characteristics that match this genome.

And yet only a tiny proportion of organizations analyze the personalities and characteristics of those who succeed there, and few systematically assess whether new employees have these winning traits. The focus tends to be on technical skills and experience—an important minimum requirement, to be sure, but not the full picture.

Leading financial institutions recognize that individuals that fit the organizational genome tend to perform better than their peers that don't. They are looking at their top performers to gain insight into their competencies and characteristics, and using those insights to identify and develop high-potential talent. They are conducting personality assessments to understand how and where individuals should be teaming.

Most importantly, they are taking an honest, hard look at themselves to understand the traits—both good and bad—that lead to success in their organizations.

How should you get started? Taking a top-down approach will help you get the most impact. But you can also achieve some quick wins by connecting workforce planning to existing human capital projects.

A centralized, enterprise-wide approach to workforce planning can help you get the most impact by supporting a long-term, standardized plan. But we recognize that smaller steps may be more practical and effective for some institutions. We often see institutions making progress by linking workforce planning to other human capital initiatives.

Here are some examples of common initiatives that have helped institutions jump-start their workforce planning efforts:

Reengineering business processes with Lean and Six Sigma	• Consider how job roles and responsibilities may be redefined. • With productivity gains, see how you can put people's skills, knowledge, and experience to work in other places.
Redesigning the organizational structure	• Think about how the organizational structure, team sizes, and reporting lines will impact the importance of core competencies such as teamwork, communication, relationship-building, and leadership. • Consider how you can use different sourcing strategies (build, buy, or rent) to meet business objectives while gaining cost savings.
Implementing HR technology	• Create common definitions for workforce planning data elements. • Identify interdependent talent management processes and see where changes may be needed. • Take advantage of workforce planning tools embedded in HR technology platforms.
Upgrading HR analytics	• Look for predictors of employee success that can help improve recruiting, training, and career development. • Develop predictive analytics in areas such as employee "flight risk."
Improving the recruiting process	• Get people who are a better fit by understanding the organizational genome. • Redefine your brand to attract candidates with the right skills, experience, and cultural fit. • Make use of social media to boost the recruiting process and improve brand. • Think about how you can recruit the right talent while controlling costs.
Addressing skills gaps	• Where specific skills gaps exist—such as in compliance, operational risk, and other critical roles—formally identify the technical and behavioral skills needed. • Create a plan to build, buy, or rent these skills. Consider both short-term and long-term talent supply and demand.

What's the benefit? This approach creates a workforce that's capable of carrying out the organization's strategy. Employees are more satisfied and motivated—reducing turnover costs and boosting productivity.

Done well, workforce planning can help you understand and prepare for business scenarios that may occur in the future.

Get what's best for the whole organization.

Looking at the needs of your whole organization makes it easier to use the people you already have, moving them from one part of the business to another. By investing in talent, you build morale and demonstrate commitment to your people. This also avoids the expense of letting people go in one department only to hire an equivalent in another. The cost of replacing an employee is estimated to run from 100% to 300% of base salary (150% commonly cited).[1]

Get staff who are right in person, not just on paper.

Defining the organizational genome involves systematically analyzing the characteristics of the highest performers. That enables institutions to deliberately find candidates with the traits that are most likely to succeed. This can be more important than hard skills, which are, after all, much easier to acquire than personality traits. Employees with the right characteristics are also easier to move to other parts of the business.

Rapid response, without the disruption.

Strategic workforce planning allows organizations to be more proactive through scenario planning and predictive analytics. By identifying the most likely scenarios, organizations are able to anticipate and plan for changes—for example, by partnering with a third party or using rotation programs to enter a new market.

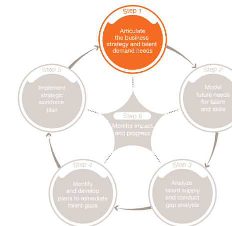
Get people who can make your strategy happen.

Making the link between talent strategy and business strategy means you're ready to take action. By setting up the whole organization to do the work it will need to do in the future, organizations can equip themselves with the right capabilities to reach their goals.

1 SHRM, "Measuring and Mitigating the Cost of Employee Turnover," www.shrm.org, accessed January 13, 2014.

Competitive intelligence

Our observations of industry practices.



Efforts to understand the talent needed to support business goals are often conducted on a one-off basis, with limited linkage to enterprise business strategy.

Institution A
Global bank

Workforce planning is conducted at the functional level. Future talent needs are projected to inform capacity planning. Business units also consider strategic objectives when determining staffing requirements. When considering business strategies related to entering new markets, location analysis is performed to support the business strategy.

The organizational genome has not been defined. Efforts to articulate what success means are difficult due to diverse businesses and size. The organizational genome may vary from one business unit to the next.

Institution B
Asset management firm

HR works closely with business leaders to embed talent considerations into business planning. The organization conducts a formal workforce planning exercise on an annual basis, but also revisits this plan monthly with business leaders to make updates as required.

No organizational genome is defined, but there are a number of competencies that are 'core' across the organization, though loosely defined and inconsistently articulated and applied.

Hiring and other talent decisions are often informed by the success of the market and other macroeconomic factors.

Institution C
US insurance carrier

HR generalists have a strong relationship with the business, and are frequently consulted on matters relating to talent with regard to the business strategy. The organization is investing in an enterprise strategic workforce planning initiative, to be executed on a function-by-function basis.

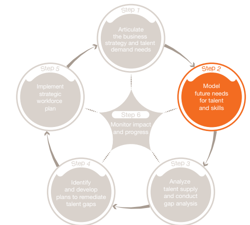
Formal workforce planning initiatives are conducted in a one-off manner, and resources do not have time or bandwidth to sustain efforts over time.

Institution D
US bank

The organization views establishing a workforce planning capability as a key priority, especially in the areas of risk management due to increasing regulatory requirements. The organization is establishing an enterprise approach and executing within the business, with HR as the owner driving methodology.

Leading On par Lagging

Organization's efforts to model future needs for talent and skills vary. They are often conducted at the functional level with a short-term horizon.



Institution A
Global bank

The operations function has a robust capacity planning process, which considers workforce trends, volume of activity, and regulatory/economic drivers. In most cases, the process accurately forecasts the appropriate level of service for the function. However, functions outside of operations do not have a comparable process.

Managers anticipate reductions in force (RIFs), and may keep more employees on the payroll than required in order to be able to respond to those requests. There is no forward-looking assessment of what skills will be needed when RIFs are conducted.

Institution B
Asset management firm

The organization is unable to model future workforce data because job titles and competency requirements have not been clearly defined. Additionally, job titles do not reflect the skills employees need to do their jobs. Scenario modeling is conducted within some businesses, but on an ad hoc basis.

Institution C
US insurance carrier

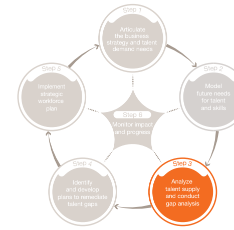
Currently, workforce planning is conducted on a regular basis from an operational perspective (e.g., staffing models, short-term forecasts). Short-term talent changes (e.g., two quarters out) are projected based on turnover, historical trends, and other factors. This allows the organization to plan for talent gaps, especially in operational functions.

The organization has defined enterprise-wide competency models, which help guide future capability discussions. However, talent assessments are currently conducted in a reactive manner vs. guiding development programs and opportunities.

Institution D
US bank

This bank conducts back-of-the-envelope planning for a few select pivotal roles on a reactionary, project-by-project basis. In general, for those pivotal roles, the organization recruits "as many qualified candidates as possible" and has significant challenges filling talent gaps.

Leading On par Lagging



Many organizations focus on internal talent assessments when measuring talent supply, and overlook the external marketplace.

Institution A
Global bank

The organization conducts semi-annual talent reviews to assess the competencies of its employees. Performance is linked to these talent reviews to align human capital with the organization's business objectives.

Institution B
Asset management firm

The organization does not have the ability to model its existing talent base and therefore it is unable to effectively model future talent needs or conduct a formal gap analysis.

An effort is being made to relocate certain functions to lower-cost regions. However, due to their inability to model talent, it's unclear which employees have the right capabilities to fill new positions, or how much cost savings will be gained from the effort.

Institution C
US insurance carrier

The organization looks externally at competitor practices to understand how talent is trending. It also evaluates labor statistics in an ad hoc way based on pivotal roles.

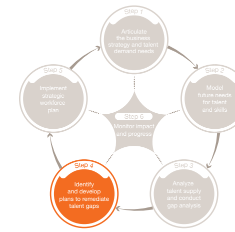
A rigorous performance management program allows the organization to understand its talent supply, which includes identifying promotion-ready employees and low-performing employees who should be coached out of the organization. This downsizing creates opportunities for other employees to advance or new hires with greater potential to take their place.

Institution D
US bank

This organization only has an ad hoc view of the current state, with managers who believe they have a "gut feel" of their talent and do not recognize a need to assess talent on data-based competencies.

Leading On par Lagging

An organization's ability to address talent gaps is dependent on its ability to access and understand data. Too often, talent plans rely on ad hoc information.



Institution A
Global bank

The organization's operations functions have conducted extensive site analyses to identify opportunities to reduce labor and lease expenses. The organization formally assesses headcount against forecasted activities on an annual basis.

Institution B
Asset management firm

The organization is developing extensive talent programs to provide training opportunities for employees that tie directly to strategy. However, due to incomplete data, the process of identifying and providing relevant training is not systematic and may not adequately address talent gaps.

The organization's HR has a seat at the table with regard to business planning. HR is able to challenge the business as to whether replacement hires are really critical, or the role should be changed.

The expertise of HR generalists varies significantly. Some do not have the expertise to challenge business decisions or provide human capital solutions.

Institution C
US insurance carrier

This organization largely fills talent gaps via the talent acquisition function. Its learning and development (L&D) function has limited organizational capability, so efforts to mobilize talent internally are limited and primarily driven by the business.

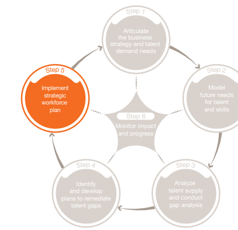
Strategic workforce planning efforts have been conducted for several pivotal roles. Robust Excel dashboards are utilized to assess the gap between talent supply and demand.

Institution D
US bank

This organization recruits for talent in a reactive way, and does not have a holistic plan to remediate talent gaps.

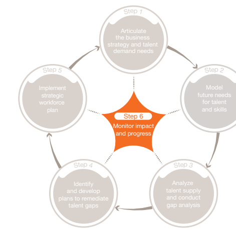
Leading On par Lagging

Strong governance and communication help support successful implementation of plans.



Institution A Global bank	**Institution B** Asset management firm	**Institution C** US insurance carrier	**Institution D** US bank
Within the operations functions, the organization integrates workforce planning with monthly recruiting and training activities. Outside of operations, workforce planning is performed in an ad hoc manner. Integration with talent and performance management is inconsistent.	The organization has integrated its workforce planning and talent acquisition practices. However, it does not integrate efforts across recruiting, training, and performance management and promotions.	Execution varies between operational and strategic, with strategic workforce planning conducted only in pockets of the organization. Workforce planning is executed in silos, with little centralization of action plans and results.	No workforce planning process exists. There is a gap in leadership capability with regard to coaching and developing talent. Leaders are stretched thin and tend to do the work themselves versus taking the time to teach others.
	When significant future talent gaps are identified, the organization takes steps to implement solutions. For example, it has considered consolidating employee services to a hub-and-spoke model instead of maintaining individual service centers within regions. However, these changes are driven by urgency from the top, rather than by a standardized workforce planning process.	Implementation is especially challenged due to the lack of robust talent management systems to track talent interventions, such as candidate pipeline tracking, internal mobility postings, and inability to fully leverage existing system functionality.	

Leading On par Lagging



Long-term monitoring of the success of workforce planning initiatives provides another opportunity for HR to drive the process and partner with the business.

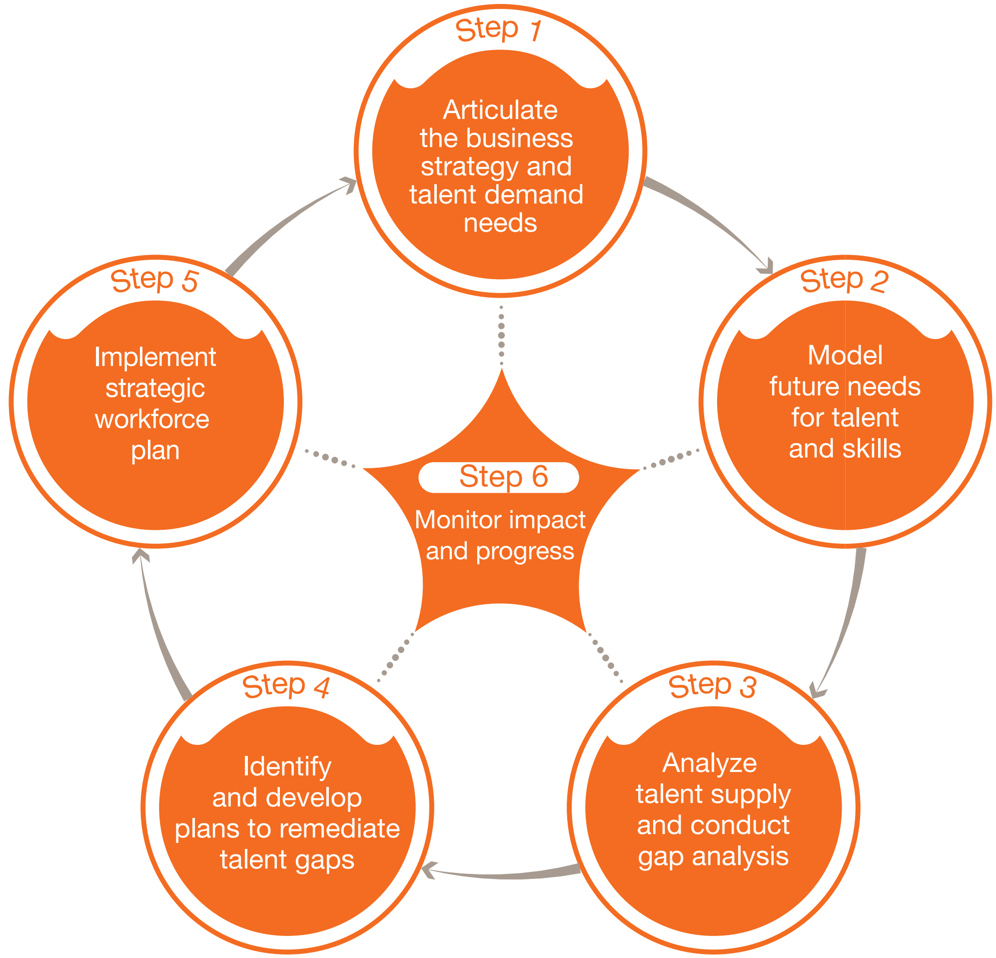
Institution A Global bank	**Institution B** Asset management firm	**Institution C** US insurance carrier	**Institution D** US bank
The maintenance and management of workforce planning practices vary across functions. The operations functions collect economic, regulatory, and attrition data to refine processes, whereas functions outside of operations are less rigorous.	The organization is unable to maintain an enterprise workforce planning process on an ongoing basis due to the lack of visibility into its data.	Workforce planning is driven on an annual basis as part of the annual business planning process.	No workforce planning currently exists. Metrics are tracked in a reactive way, and improvements are only identified after talent shortages have become a large issue.
	The organization has developed robust dashboards to provide the business with an up-to-date view of human capital trends within specific business units. This dashboard enables conversations between the business and HR, while providing an opportunity for HR to drive the process and partner with the business.	Operational metrics are tracked on an ongoing basis to understand quantitative changes in talent supply.	

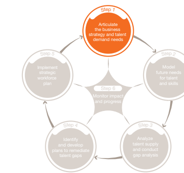
Leading On par Lagging

A framework for response

Our recommended approach to the issue.

Successful workforce planning requires embedding a cyclical approach into ongoing business planning processes. Continual monitoring of progress helps keep the action plan on target with the business strategy.





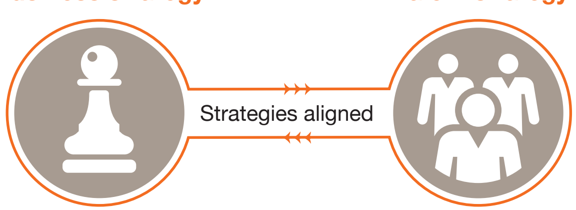
Step 1: Articulate the business strategy and talent demand needs

What are you doing that will change the skills you need?

Short- and long-term business strategies are the most important drivers of your talent needs.

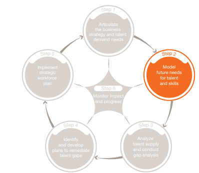
While you may have an annual process for reviewing your talent plans, reviewing the plan any time there is a change in the business strategy—whether it's rolling out a new product, expanding to a new market, or growing geographically—can help you build an actionable plan to acquire and develop the required talent.

Key steps	Key considerations
Analyze business strategy to identify talent needs	• What aspects of the long-term strategy will change the current talent management and acquisition strategy? • Are new products or services being planned that may require a significant change in resource requirements? • What future markets are we planning to enter? What are growth projections for that market? • What markets or products are we potentially moving away from?
Diagnose the organizational genome—the attitude, ethos, and culture of the organization	• What are the key traits of leaders who have moved up and across the organization? • What are the underlying traits—perhaps even those with negative connotations—that successful people have here? • What are the keys to promotion? • What qualities could the leadership team not survive without? • Who has worked here who hasn't "fit"—why? • How does our organization differ from other organizations?



- New product rollout
- Expanding market
- Growing geographically
- Exiting a business

- Find talent with experience in planned products
- Increase hiring
- Implement global rotation program
- Downsize or relocate



Step 2: Model future needs for talent and skills

What skills do you need?

Making the link between strategy and skills helps an organization better understand the talent it needs. The next step is to break down the skills and competencies needed against the internal and external talent supply.

At this step, it's important to decide how many people are needed, as well as when and where they are needed. In our work with clients, financial institutions that do this well have been able to transfer people across the organization based on skill needs—something that gets missed if each function or business unit conducts its own workforce planning.

Key steps	Key considerations
Identify and inventory skill and competency requirements necessary to support the business strategy	• What types of talent are required to enable the strategic changes? • What types of talent are critical to long-term success? • What are the pivotal roles required to execute the strategy?
Project future need for talent, timing, expertise, and location	• How many resources do we need per pivotal role? • What is the timing for onboarding the new talent? • Will new talent be limited to a specific location?

An effective model is forward looking and considers core, technical, and leadership competencies to support the business strategy.[1] These competencies are the necessary skills, knowledge, and abilities that are critical for on-the-job success.

A systematic competency model helps you develop objective blueprints to support training and hiring needs.

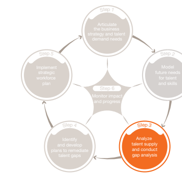
Internal audit competency model (illustrative)

Core competencies	Technical competencies	Leadership cor
• Analytical thinking • Talent management development • Communication skills • Collaboration & teamwork • Relationship building • Adaptability	• Audit practices • Project management • Regulatory & compliance insight • Risk management • Technology awareness	• Change stra • Business a • Industry & market ir • Busines • Organi

Target proficiency ratings

Level	Audit practices	Project management	Regulatory and compliance insight	Risk mana
Audit senior manager	5	4	5	5
Audit manager	5	4	4	
Senior auditor	4	4	3	
Auditor	3	2	2	

1 PwC, "The right stuff: How financial services institutions can use talent assessments to improve returns on human capital," July 2013, www.pwc.com/fsi.



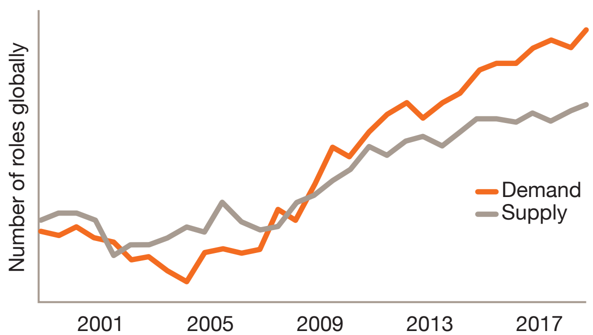
Step 3: Analyze talent supply and conduct gap analysis

Which skills do you already have, and where are the gaps?

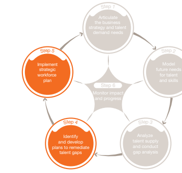
Once the organization's demand for skills is understood, the next step is to move on to the supply, and to find out how the two differ. That means looking at skills both inside and outside the organization.

Leading institutions also consider how the supply of skills will change over time—due to changes in demographics and trends in education, for example—and how they should attract people who have the skills they need. For instance, one of our insurance clients projected a significant need for IT personnel with experience in emerging technology. The shortage came from falling IT graduation rates at nearby colleges and growing competition for IT talent from the technology sector. To address this need, the insurer decided to relocate its IT operations to a region where there was a greater concentration of college graduates with the skills it needed. It also implemented targeted recruiting strategies to fill pivotal developer roles.

Illustrative example: Big data supply and demand gap analysis



Key steps	Key considerations
Assess existing talent pool against competency models	• What are the capabilities and competencies of our current talent pool? • What are the key factors for success in our organization? • What are the demographic trends of our current talent and how has that shifted over the past few years?
Analyze market trends	• What impact does the local market have on our ability to acquire talent to fill key internal gaps? • Which market entrants will require talent possessing a comparable skill set to ours? • What are the trends across our industry and how will they impact our strategy and talent needs? • How competitive is our value proposition in our industry as well as local market?
Compare your compensation strategy and value proposition to the market and competitors	• What do employee opinion surveys say about our compensation? • Who do we lose employees to based on compensation according to exit interviews?
Conduct talent gap analysis	• What gaps do we already recognize in our day-to-day work? • What gaps do we expect in the future? • Where do our leaders fail and succeed? • Which roles are the most challenging for recruiting talent?



Step 4 and Step 5: Develop and implement strategic workforce plans

Plan for action—how will you get the skills you need?

Key success factors

The best strategic workforce plans can fail if not well-executed. Our experience with clients has shown that the successful plans are:

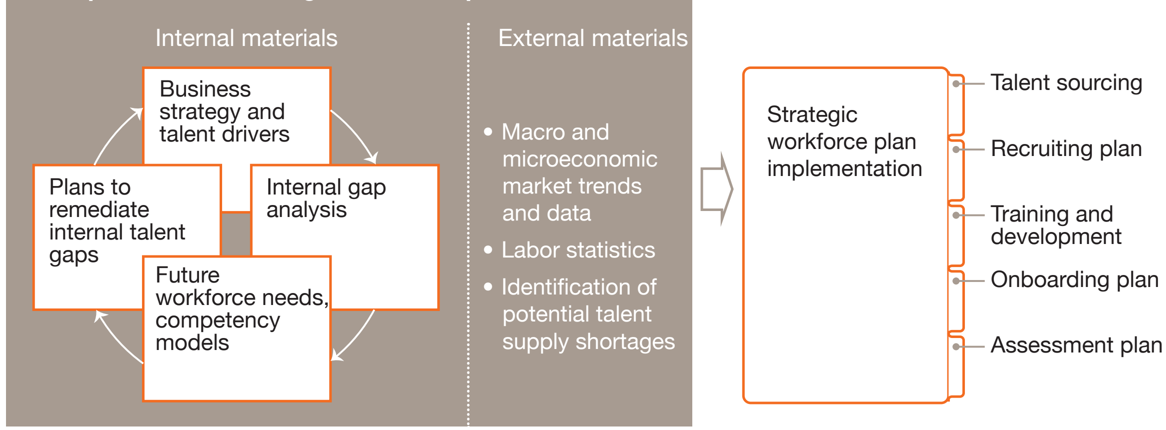
- **Led from the top.** One of the biggest obstacles we've seen is that different functions have their own approaches. A strong leader is needed to knock down organizational silos and fight for change.
- **Driven by HR, in partnership with the business.** Our most successful clients have centralized workforce planning, standardizing different functions' approaches but letting them customize parts of the process that are specific to them.

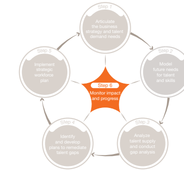
Once the organization identifies what talent it needs and when, a tactical plan helps identify the best course of action and puts the governance structure and processes in place to implement it.

One of the most important pieces in this step is communication—be prepared to do a lot of communicating, so that everyone knows what's changing and why.

Key steps	Key considerations
Develop talent acquisition strategy and plan for remediation	• What is our current talent strategy—build, buy, or rent? • How do our succession and development plans prepare us for filling our talent needs? • What is the cost of various talent strategies to the organization—both in terms of dollars and impact to employee morale?
Conduct scenario planning	• How would changes in the market or organization impact this plan (e.g., downturn in production, reorganization, increased competition)?
Validate strategy and plan with business	• Who are the key business stakeholders? What elements of the plan will be critical for them to review?
Implement plan and governance structure	• How should we manage communications and roll-out of the strategy? • What decisions are required, and who will make them? • How will we partner with others to integrate the workforce plan into existing initiatives?

Components of a strategic workforce plan





Step 6: Monitor workforce planning impact and progress

Measure—how's the plan working?

Dealing with poor systems and data

A nearly universal issue our clients struggle with is how to distill insight from systems and data that just don't provide the right information or level of detail they need.

How to respond: You can do a lot with the systems you have—even spreadsheet programs—without buying complex packages. Start with the basics, like measuring how long employees stay with you and how they perform. Then build a business case for more investment.

It's important to know how effective workforce planning efforts have been.

To do that, metrics should be identified in advance to define what success looks like. There needs to be a way of bringing the most important indicators together in a dashboard so that the people at the top can easily see how well the plan is working, and make adjustments as needed.

Repeat the process.

This isn't a one-off exercise. Its value comes from constantly comparing the skills you need with those you have, and working out what skills are needed.

Key steps	Key considerations
Identify key metrics	• How many metrics are we monitoring at once? • Are the right metrics already being monitored at the organization? If so, should they be reviewed/revised?
Identify dashboard technology platform	• How do we monitor fluctuations in the workforce currently? • Do we have the appropriate technology in place to monitor the impact of our talent programs?
Launch monitoring effort	• Are our existing monitoring efforts appropriate? • How do new workforce efforts impact existing efforts that are being monitored?
Provide regular updates to the business	• Who are the most appropriate stakeholders to review the dashboards? Who has bandwidth and/or interest to review? • When do the business units need to generate their own reporting? When do they need to see talent results?

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To have a deeper conversation, please contact:

Bhushan Sethi	bhushan.sethi@us.pwc.com +1 646 471 2377
Debra Mazloff	debra.c.mazloff@us.pwc.com +1 312 298 5360
Julia Lamm	julia.w.lamm@us.pwc.com +1 646 471 6392

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"Workforce of the future: How strategic workforce planning can help financial institutions today, tomorrow, and beyond," PwC FS Viewpoint, April 2014, www.pwc.com/fsi.

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