

fs viewpoint

www.pwc.com/fsi

April 2012

02

Point of view

16

Competitive
intelligence

19

A framework
for response

33

How PwC can help

36

Appendix

Grow a Tree for Ten Years; Grow Men for a Hundred:

How Private Banks Can
Nurture Human Talent to
Prosper in China



pwc

Point of view



The changing private banking landscape in China has ignited a fiercely competitive race for talent.

Unprecedented growth of high-net-worth individuals (HNWIs) has created an irresistible opportunity for private banks in China. Many observers would argue that the talent race is on, and the cannibalistic practices of poaching talent from direct competitors has begun in earnest, creating real potential for a talent market bubble within private banking.

While poaching may have worked in markets with slow to moderate growth of high-net-worth clients, it is clearly an unsustainable practice for China, and there is a talent market bubble looming within private banking.

This issue becomes compounded by the rapidly changing needs of China's HNWIs who seek a unique set of wealth management and value-added personal advisory services such as guidance on emigration, education, and medical care.

Talent markets in transition

Taking a short-term view and a traditional approach to talent acquisition and retention in emerging markets, institutions have historically:

- Staffed based on market cyclicity.
- Poached top talent from competitors.
- Leveraged expatriate talent for long periods.
- Applied Western practices that are ill-suited in addressing culturally driven client needs.

In our view, there are several feasible alternatives to acquiring the right private banking talent in China that are far more sustainable than poaching and, if executed well, can produce a greater return on talent investment. These alternatives, however, will require significant changes not only to current recruiting processes, but also to management of the full talent lifecycle.

Throughout this paper, we use the term “foreign banks” to refer to Non-Chinese banks operating in mainland China to serve Chinese private banking clients. These are typically North American or European Banks who operate through partnerships or full incorporation. We use the term “Chinese banks” to refer to banks owned by central or state government. These banks primarily focus on Chinese domestic clients, but do have an increasingly overseas presence.

Today and in the foreseeable future, financial institutions should focus on innovation and take a long-term, global view of talent to begin to:

- Define job roles and competencies based on market and business requirements.
- Reengineer talent sourcing strategy.
- Conduct external hiring and manage employee retention.
- Onboard and accelerate assimilation of new hires into corporate culture.

In the current environment, the talent gap will continue to grow as demand continues to outstrip supply, driving talent costs higher.

Wealth management needs of China's HNWI becoming more complex and global in nature

- More than 50 percent of China's millionaires have emigrated or are considering emigration. The most popular destinations are the United States, Canada, Singapore, and Europe.¹
- This trend creates an opportunity for foreign banks to develop personalized cross-border, financial, business, and value-added solutions that leverage a global footprint and serve as an integrated set of capabilities across geographies.

Competitors moving into marketplace

- Foreign banks continue to expand within China, driving competition, as the range of services being sought by HNWIs from private bankers requires a broader and more global range of expertise and skills.
- Local Chinese banks have launched private banking operations, and while HNWIs have been attracted to banking with several domestic and global institutions, there is an increasing desire by HNWIs to consolidate banking relationships to one or two providers.

Shortage of private banking talent

- China's economic boom is fuelling the growth of HNWIs, yet there is a shortage of talent within the market in China.
- The talent that does exist is finding itself in new territory. The level of wealth management acumen has increased among HNWIs and, in turn, so has their desire for increased levels of diversification and nontraditional value-added services from their wealth management institutions.
- Financial institutions should seek the appropriate mix of local Chinese nationals, Chinese nationals abroad, and "haigui" (overseas returnees) as well as non-Chinese.

Rising cost of talent

- Competition for talent is intensifying and leading to rapidly rising compensation costs within many businesses. CEOs report that these costs have risen more than expected.

¹ Jeremy Page, "Many Rich Chinese Consider Leaving," Wall Street Journal, November 2, 2011, <http://online.wsj.com>. Accessed March 21, 2012.

Rising numbers of high-net-worth individuals in China are driving the increased demand for private banking services.

Forecasts indicate that by 2015, there will be nearly 1.4 million HNWI¹s in China¹...

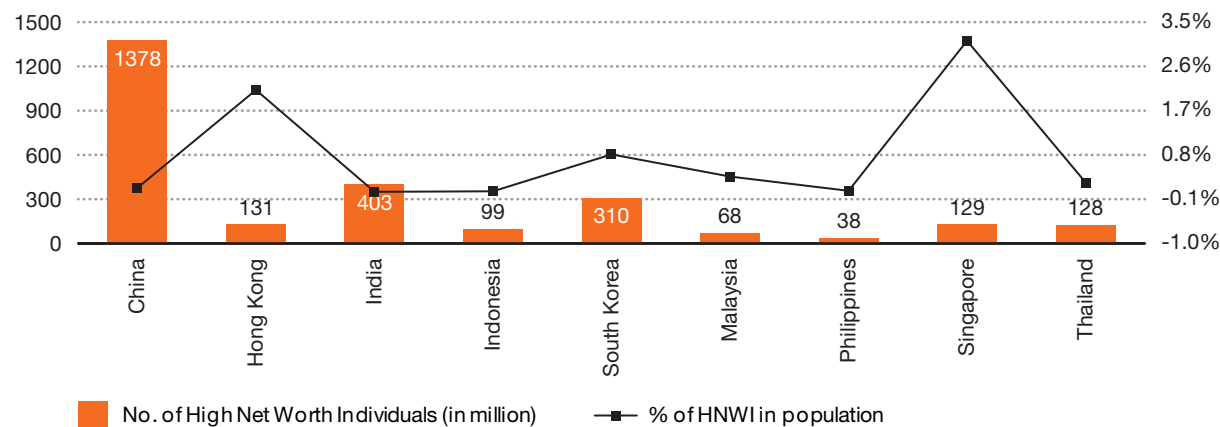
While the financial crisis of 2009-2011 briefly slowed the growth in the number of millionaires in China, massive stimulus spending by the Chinese government helped the Chinese economy recover quickly and maintain its double-digit growth in GDP.

While emerging markets in the Asia-Pacific region continue to be an engine of enormous wealth creation, the number of HNWI¹s in China far exceeds its peers in the region.

China: 2010-2015 key wealth estimates¹

	2010	2015 (projected)	5-year CAGR (%)
Adult population (millions)	975	1,025	1.0
Median wealth (US\$)	10,921	26,341	19.3
No. of HNWI ¹ s ('000)	502	1,378	22.4
HNWI ¹ s to adult population	0.05	0.13	21.1
Wealth of HNWI ¹ s (US\$bn)	2,627	8,764	27.2
Nominal GDP (Rmbbn)	39,798	78,311	14.5
Rmb/US\$	6.61	5.16	5.1
Nominal GDP (US\$bn)	5,880	14,829	20.3
Property market returns			6.6
Stock-market returns			11.2

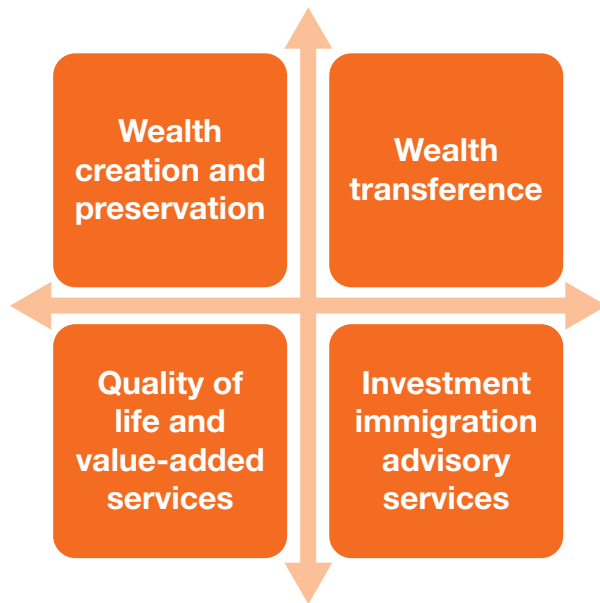
High-Net-Worth Individuals in Asia by 2015



Source: Amar Gill and Xun Min Ip, "Fat cats in fast lanes: Surge in high net worth individuals," CLSA: Wealthy Asia, September 5, 2011, <https://www.clsa.com>.

¹ Amar Gill and Xun Min Ip, "Fat cats in fast lanes: Surge in high net worth individuals," CLSA: Wealthy Asia, September 5, 2011, <https://www.clsa.com>.

The wealth management needs of HNWI's in China are evolving and global. Foreign private banks have the scale, expertise, and capabilities to deliver a unique set of customized solutions.



Wealth management objectives of China's HNWI's

Wealth creation and preservation

- Expectation of moderate returns with controlled risks.
- Desire for significant diversification using a broad range of wealth management and alternative investment products.

Wealth transference

- There is a significant shift in mindset regarding planning for wealth transference among this generation of HNWI's in China, yet limited capability and expertise among domestic banks.
- Globalization and emigration of Chinese nationals has complicated matters of inheritance, especially cross-border taxation, and foreign banks are poised to address these issues.

Quality of life and value-added services

- **Children's education** is viewed as critical to continued wealth creation and quality of life, and therefore there is increasingly high demand for private banks that serve HNWI's and their children.
- **High-quality medical care** is challenging to secure in China, and HNWI's seek private banks that can leverage their resources to facilitate access to top providers.
- **Relationship-building opportunities** are highly desirable among China's HNWI's given that more than half are entrepreneurs or corporate executives. They seek institutions that can act as a conduit to and facilitator of social interactions that can lead to investment opportunities and business relationships.
- **Real-estate advisory services** are increasingly being sought to assist in the acquisition and management of real-estate assets.

Investment immigration advisory services

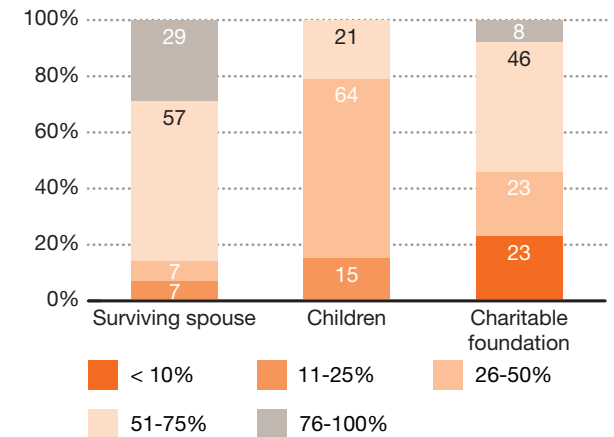
- Chinese HNWI's are rapidly emigrating or actively seeking to emigrate. Key drivers include wealth preservation, preparing for retirement, and enabling their children to study in countries such as the United States, Australia, and Canada.
- This in turn is driving the demand for professional guidance from private bankers on matters such as managing overseas assets, tax requirements of dual citizenship, and balancing of foreign and domestic investments.

In order to build and retain their business through the wealth transference process, private banks will need to deliver services and establish deep relationships that fulfill the needs of China's HNWIs and their families.

Our studies have shown significant asset attrition on intergenerational transfer, with the largest losses occurring when wealth passes on to children or is transferred to charitable foundations. Our studies also reveal that these losses could be greatly reduced by creating loyalty across multiple generations of clients.

To attract and retain China's HNWIs, private banking teams will need to have at their disposal the skills, tools, techniques, and strategies to develop a long-lasting relationship with not only the patriarch and matriarch of a family, but also the family's heirs and spouses and any vehicles of philanthropy.

Percentage of a client's wealth assets typically retained from surviving heirs or foundations*



*Singapore + Hong Kong results
Source: PwC, "Asia Pacific Private Banking Survey 2011: Anticipating a new age in wealth management," 5th Biennial Asia Launch, September 8, 2011. <http://www.pwc.com/wealth>.

Concerns about potential external challenges to business growth prospects*



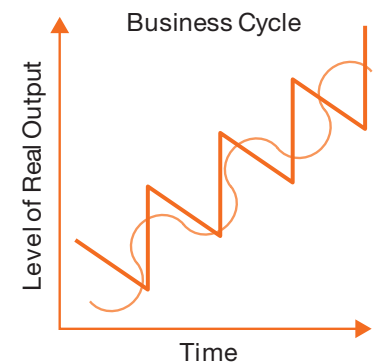
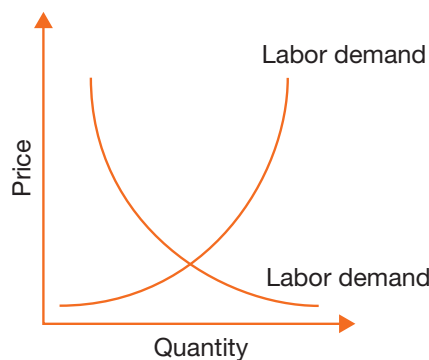
* Singapore + Hong Kong results
Source: PwC, "Asia Pacific Private Banking Survey 2011: Anticipating a new age in wealth management," 5th Biennial Asia Launch, September 8, 2011. <http://www.pwc.com/wealth>.

In recent years, private banks in China have lurched from surpluses of talent to shortfalls and back again. In our view, something is wrong with this picture.

It is well known that China faces long-term talent shortages. Key factors that drive the supply/demand imbalance for skilled Chinese knowledge workers include the aging population, one-child policy, and required knowledge of language, regional dialects (such as Shanghainese), and culture.

For private banks in China, the current struggle to effectively manage and deploy talent causes retention problems and increases the demand for outside hiring of both experienced and entry-level talent, creating a vicious cycle.

So why are so many private banks in China continuing to take a reactive approach to recruiting and retaining talent, knowing that it will fail as the costs and difficulty of finding candidates continues to rise?



According to several recurring PwC global surveys, CEOs are increasingly concerned that the shortage of talent will impede or even derail growth plans globally.

According to PwC's 15th annual CEO survey,

78%

of CEOs anticipate some or major changes at their company in strategies for managing talent over the next 12 months.¹

Question: Have talent constraints impacted your company's growth and profitability over the past 12 months in the following ways?

Our talent-related expenses rose/will rise more than expected



We were/will be unable to pursue a market opportunity



We canceled or delayed/will cancel or delay a key strategic initiative



We couldn't/won't achieve growth forecasts in the country where we are based



We couldn't/won't achieve growth forecasts in overseas markets



0 10 20 30 40 50

Source: PwC, "Delivering results: Growth and value in a volatile world," PwC 15th Annual Global CEO Survey: Main Report, 2012, <http://www.pwc.com>

Within the financial services industry, CEOs are also concerned that they will not have access to the necessary talent.

33%

of financial services CEOs are confident that they will have access to the talent they need to execute their company's strategy over the next three years.¹

59%

of financial services CEOs face the greatest challenges with recruitment and retention of high-potential middle managers.²

¹ PwC, "Tackling the talent gaps: Key findings in the Financial Services sector," PwC 15th Annual Global CEO Survey Financial Services Sector summary, 2012, <http://www.pwc.com>.

² Ibid.

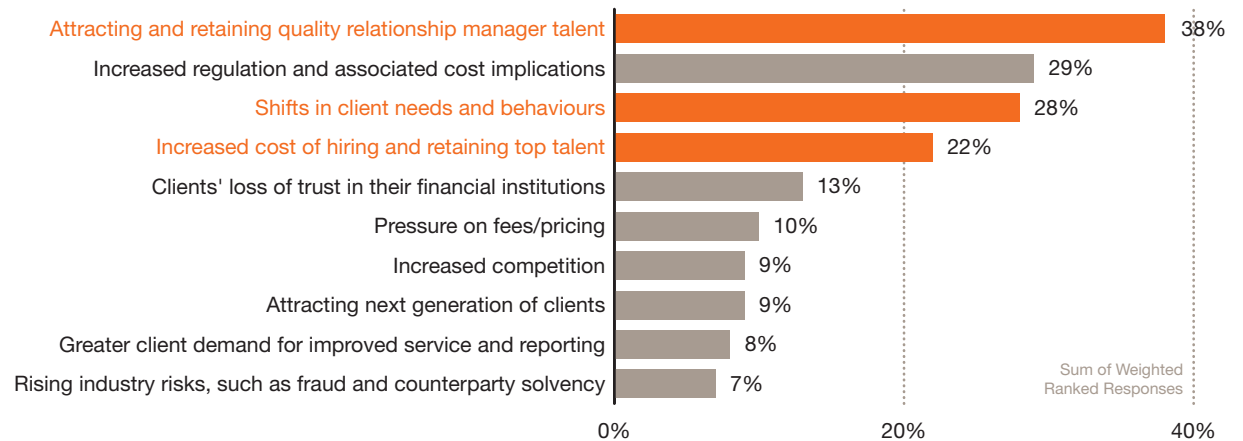
In Asia, managing talent continues to be a CEO priority.

A shortage of home-grown talent is one of the top barriers to growth in Asia. In a recent PwC survey, 38% of Asian CEO respondents identified the growing need for managerial talent in China as by far the biggest challenge to business growth.

Furthermore, top quality people are becoming increasingly valuable, more difficult to source, and more costly to train. In addition to the challenges with hiring and developing the right talent, clients are evolving their needs and expectations, demanding better service, simpler products, and clearer value.

In order to overcome these challenges to growth prospects and fill the skilled-talent gaps, Chinese banks will need to redesign their talent-building strategies.

Concerns about potential external challenges to business growth prospects



Source: PwC, "Asia Pacific Private Banking Survey 2011: Anticipating a new age in wealth management," 5th Biennial Asia Launch, September 8, 2011. <http://www.pwc.com/wealth>.

For private banks in China, growing market share depends heavily on attracting high-quality talent with ready-made guanxi (business and political relationships).

Appointing global or regional talent may be beneficial in the short term...

- Many financial institutions are moving experienced non-Chinese employees from mature markets—Singapore, Malaysia, and Australia, among others—to China to alleviate skills shortages.
- Expatriate programs, in general, accelerate execution of business expansion strategy by launching functions and capabilities quickly.
- Non-Chinese employees can be effectively used for a range of roles where relationships are less critical.

...however, the benefits can yield diminishing returns...

- Use of expatriates assumes having the right people available to relocate in the numbers required.
- Reassignment and visa administration is costly and can take several months.
- The disruption to business caused by two- to three-year expatriate rotations, which is the most common tenure of overseas placements, can also be potentially detrimental to business continuity.

...and a transition to a new strategy is needed

- While non-Chinese expatriates pass on skills to local staff, the perception that an expatriate “glass ceiling” limits career development opportunities can discourage local talent from committing to the future of the firm.
- Becoming overly reliant on non-Chinese expatriates does not solve the long-term talent issue, and a carefully considered plan is needed to improve long-term results and provide meaningful return on investment.
- “Haigui” or Chinese nationals, who are “overseas returnees,” can bring critical perspectives, experiences from working abroad, as well as guanxi from home market networks.
- Recruiting Chinese nationals from within private banking and similar industries can bring ready access to high-net-worth clients globally.

The deployment of a “team-based” relationship model positions the institution, as opposed to any one individual, as the trusted advisor.

Across the globe, traditional customer relationship management (CRM) support and client service infrastructure are changing.

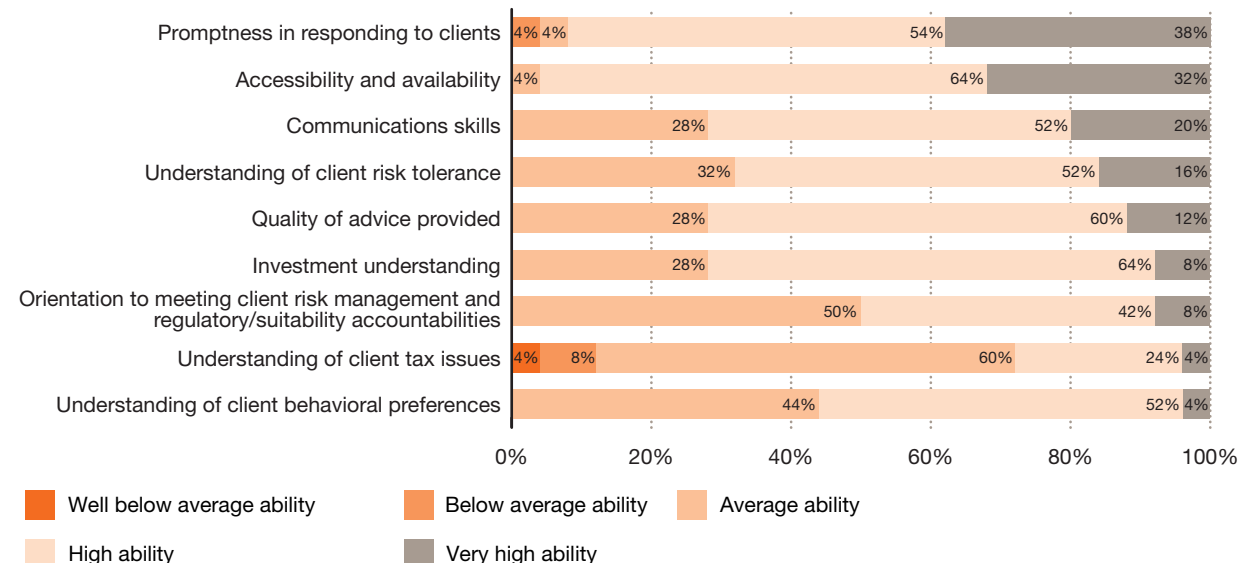
For private banks in China, in particular, the ability to expand the client base depends in part on an organization’s flexibility to meet differing client needs based on demographics, wealth tier, and preferences.

The deployment of a “team-based” relationship model positions the institution, as opposed to any one individual, as the trusted advisor. This enables an “emotional connection” with the institution’s brand promise and improved likelihood of client retention.

Equally important is developing a team-based approach to building relationships with heirs and building close relationships with the next generation.

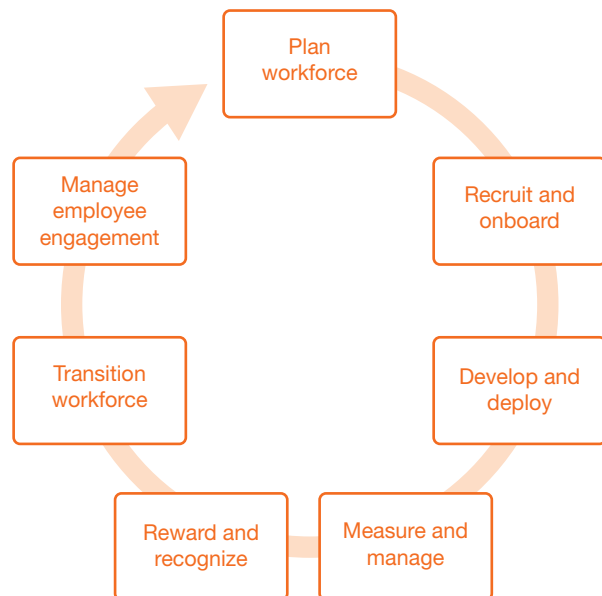
This requires a fundamental redesign of job roles, technical, and behavioral competencies, career paths, and succession plans.

Ability of relationship managers



Source: PwC, “Asia Pacific Private Banking Survey 2011: Anticipating a new age in wealth management,” 5th Biennial Asia Launch, September 8, 2011. <http://www.pwc.com/wealth>.

Addressing the challenges of attracting, hiring, and retaining employees in private banking requires a holistic approach to managing talent.



Talent Lifecycle Key Considerations

Plan workforce

- Design job roles, competencies, and experiences that are responsive to changing needs of China's HNWIs and their families.
- Analyze internal and external workforce data to better manage supply and demand of experienced and entry-level candidates across geographies.
- Determine a strategy that balances build (developing) vs. buy (hiring) by roles and regions.

Recruit and onboard

- Determine appropriate talent sourcing channels.
- Build relationships with key experienced and entry-level talent feeder pools.
- Design scalable onboarding processes and accelerate assimilation into company culture.

Develop and deploy

- Develop/refine leadership and professional development programs.
- Influence curriculum design of target universities to develop business and professional skills being sought.
- Define development plans and career paths to enable organizational mobility and develop the trusted advisors of the future.

Measure and manage

- Supplement existing financial advisor metrics (such as client satisfaction, profitability, and assets under management) with leading indicators (such as client retention, team-based feedback, new client leads identified, and external reputation).
- Define both team-based and individual performance metrics and measures.
- Identify, manage, and differentiate top talent.
- Identify root causes for poor performance. Embed lessons learned into hiring practices.

Reward and recognize

- Benchmark compensation strategy and target range with Chinese and foreign-owned banks.
- Differentiate employer brand through non-financial rewards. Illustrative examples include: training and career development, developing an entrepreneurial mindset, leadership that drives empowerment, workplace design and flexibility, productivity tools, and maternity/paternity policies.

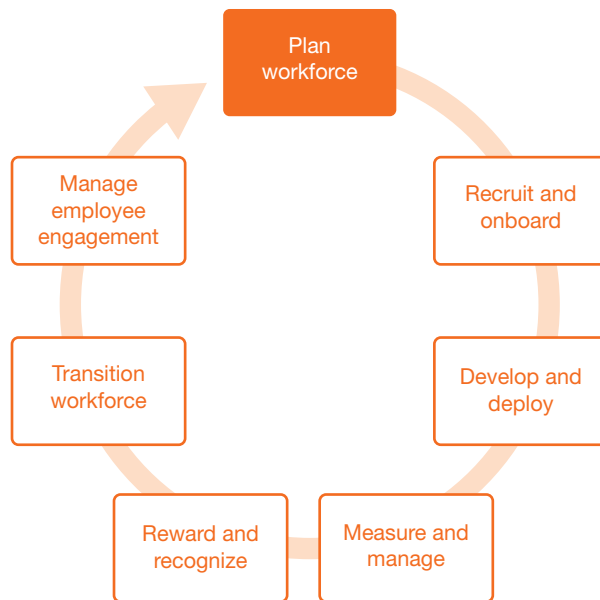
Transition workforce

- Focus on transitioning workforce in and out of the front office, including: transitioning out poor performers, rotating technical specialists amongst client or segment teams, transitioning entry and/or mid-level roles into financial advisors, and developing and managing alumni as a source of client or employee referrals.

Manage employee engagement

- Ongoing measurement and management through diagnosis (surveys and predictive analytics), design (shaping the environment and identifying and managing disengaged employees), and implementation.

A deliberate approach to strategy-driven workforce planning is critical to recruiting and onboarding today's private banking talent.

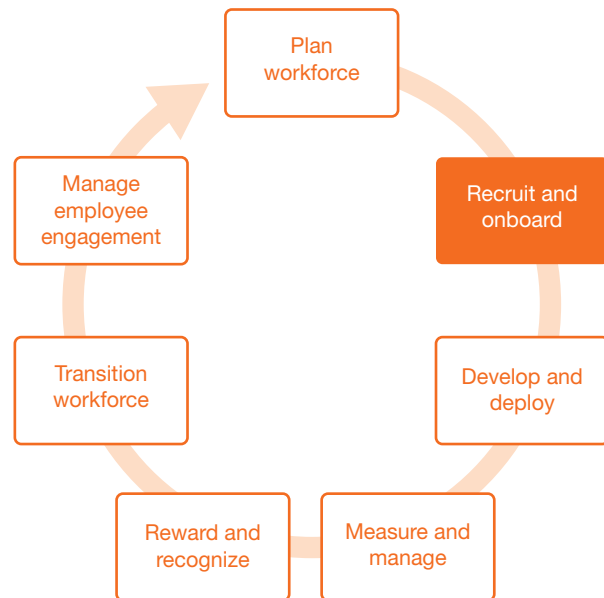


Talent Lifecycle Key Considerations

Plan workforce

- Align business and talent strategy:
 - Define wealth tiers and client segmentation.
 - Determine role of third-party distributors.
 - Define geographic footprint (metropolitan hubs versus all regions).
 - Determine appropriate mix of build versus buy.
- Analyze drivers of workforce supply and demand:
 - Supply: internal employee data and external labor market analysis.
 - Demand: business drivers that define talent requirements.
- Determine client coverage model and headcount requirements by segment and region.
- Design job roles and competencies to reflect market requirements.
 - Reflect changes in client preferences based on factors such as gender, generation, and technology usage.
 - Focus on a blend of technical (product, risk, regulatory, quantitative, technology, and geopolitics) and behavioral (negotiation, innovation, collaboration, responsiveness, trust, and integrity) competencies.
- Determine investment required to build “best in class” recruiting function, such as hiring world-class local and global sourcing agencies.
- Define and track measures of success, such as managing open job requisitions to reduce flight risk.
- Define and launch an employee referral program.

Recruiting and onboarding strategies need to support a range of talent needs.



Talent Lifecycle Key Considerations

Recruit and onboard


- Define target talent markets. Examples include:
 - Experienced private bankers with client relationships.
 - Experienced non-banking professionals with access to high-net-worth clients.
 - Entry level (in-market).
 - Mid-level (overseas Chinese “haigui”), including returning Chinese nationals, with Western banking experience or persons of Chinese origin with requisite language skills and knowledge of workplace practices.
 - Technical specialists (non-Chinese expatriates with specialist product, risk, or technology non-client-facing expertise).
- Reengineer talent sourcing strategy:
 - Entry level: build alliances with local universities, institutions, professional associations, government agencies.
 - Experienced hires: identify and source candidates from competitors or similar industries.
 - Target overseas Chinese.
 - Supplement with non-Chinese expatriates as the exception, with a focus on building local technical capabilities.
- Mobilize and manage world-class sourcing agencies.
- Leverage traditional interviews and “role play” scenarios to model private banking roles.
- Refine selection criteria and interview process.
- Design scalable onboarding processes to accommodate large volumes of new hires and accelerate assimilation into company culture.
- Develop and roll out private banking boot-camp training (technical and behavioral).
- Invest in build/buy recruiting and onboarding capabilities to handle increased volume and demands.
- Manage and monitor retention of new hires, with special focus on first-year staff.

Competitive intelligence

















*Our observations of
industry practices.*

A snapshot of how institutions in China currently manage recruiting and onboarding.

Area of focus	European Origin Private Bank A	US Origin Private Bank B	Global Client Service Firm C
Recruit and onboard	<p> The private bank has a strong preference to hire experienced private bankers from other major banks in China. The bank uses staffing agencies to hire employees.</p> <p> Very few private bankers are hired internally from other areas of the bank.</p> <p> The bank typically targets candidates who have at least eight years of experience in private banking. Additionally, the bank emphasizes knowledge of products/services and customer relationships as key qualifications for employment. It is also critical for candidates to be bilingual. Furthermore, the bank prefers to hire local Chinese nationals because they are more likely to share customers' values and culture. About 80 percent of private bankers are Chinese nationals. The selection process involves a combination of group and one-on-one interviews.</p>	<p> In an effort to grow its wealth management team in Asia, the bank uses targeted external hiring approaches to acquire talent. Specifically, the bank attracts world-class talent from competitors and targets graduates from top MBA programs for entry-level positions.</p> <p> The bank develops and deploys internal talent for private banking from other areas, including investment banking, accounting, and the trust business.</p> <p> When it comes to qualifications for private banking positions, the bank emphasizes language skills, education, and cultural background (local Chinese nationals are preferred).</p>	<p> The global client service firm establishes long-lasting recruitment relationships with top-tier academic institutions. Beyond domestic efforts, the firm sends Chinese recruiting teams to foreign campuses to hire Chinese candidates overseas.</p> <p> The firm hosts a wide range of employer branding activities, including campus hiring sessions and community activity sponsorship. As part of this effort, it has created employer pages on popular social media websites. In addition to posting recruiting advertisements and sharing information on corporate news and culture, the firm welcomes potential candidates' engagement in topic discussions and sharing of their ideas.</p> <p> The firm hires experienced candidates through employee and external recruiter referrals. It sources from multiple talent pools, including industry and client service firms. The firm prefers candidates with international experience.</p> <p> The firm enables global mobility of talent to and from China and other financial centers.</p>

 Leading
  On Par
  Lagging

A snapshot of how institutions in China currently manage recruiting and onboarding.

Area of focus	European Origin Private Bank D	US Origin Private Bank E	Global Client Service Firm F
Recruit and onboard	<p> The bank acquires talent for private banking positions from regions such as the UK, Singapore, and Hong Kong; generally, candidates are branch managers from large global banks with more than ten years of experience in personal financial management.</p> <p> Internally, the bank selects top-performing client managers for training in its UK Head Office. The training programs for private bankers include many specialties, such as interpersonal relationships, golfing, and luxury goods.</p> <p> The bank emphasizes that business, product, and sales managers are responsible for retaining and motivating their staff. It is the manager's role to invest in development of employees by providing them with tools and training needed to effectively perform their jobs.</p> <p> The bank also uses competitive compensation packages as a driver of staff retention. It reviews compensation regularly and ensures that staff are rewarded and incentivized based on their performance and compliance with regulatory standards.</p>	<p> The bank targets hiring of entry-level talent with requisite knowledge of language, dialect, and culture.</p> <p> In the hiring process the bank focuses on candidates who demonstrate “cultural fit” and alignment to firm values. Assessment centers are used as part of the selection process for campus hires. This includes psychometric testing, case studies, and presentation.</p> <p> High degree of emphasis is placed on leaders to drive engagement and retention of critical talent.</p> <p> Onboarding and training are focused on company values, business model, products, regulatory requirements, and relationship building. Additionally this includes specialist areas such as wine appreciation.</p> <p> The bank redeploys talent across lines of business and regions to encourage retention and enable effective career paths.</p> <p> Talent sourcing strategy does not explicitly target foreign universities with overseas Chinese or leverage alternative talent pools for experienced hires.</p>	<p> The bank has been accessing a broader range of talent by putting significant recruitment effort into attracting the second generation and heirs of wealthy families to join their private banking team in China. These people bring access through their networks and relationships with high-net-worth individuals in China.</p> <p> “Haigui,” or overseas returnees, are often members of families with entrepreneurial ventures. This talent provides access to a growing market for private banking services. While retention of this talent group is challenging as they often return to work for family businesses, the family network relationships are retained by the organization.</p> <p> The bank hires from select regulatory bodies to gain access to talent and facilitate communication between the bank and officials.</p> <p> The bank also adopts a “groom-from-within” development approach and encourages internal transfer of top talent from other departments around the region (such as corporate banking, investment banking, and global banking) to join the team.</p>

 Leading

 On Par

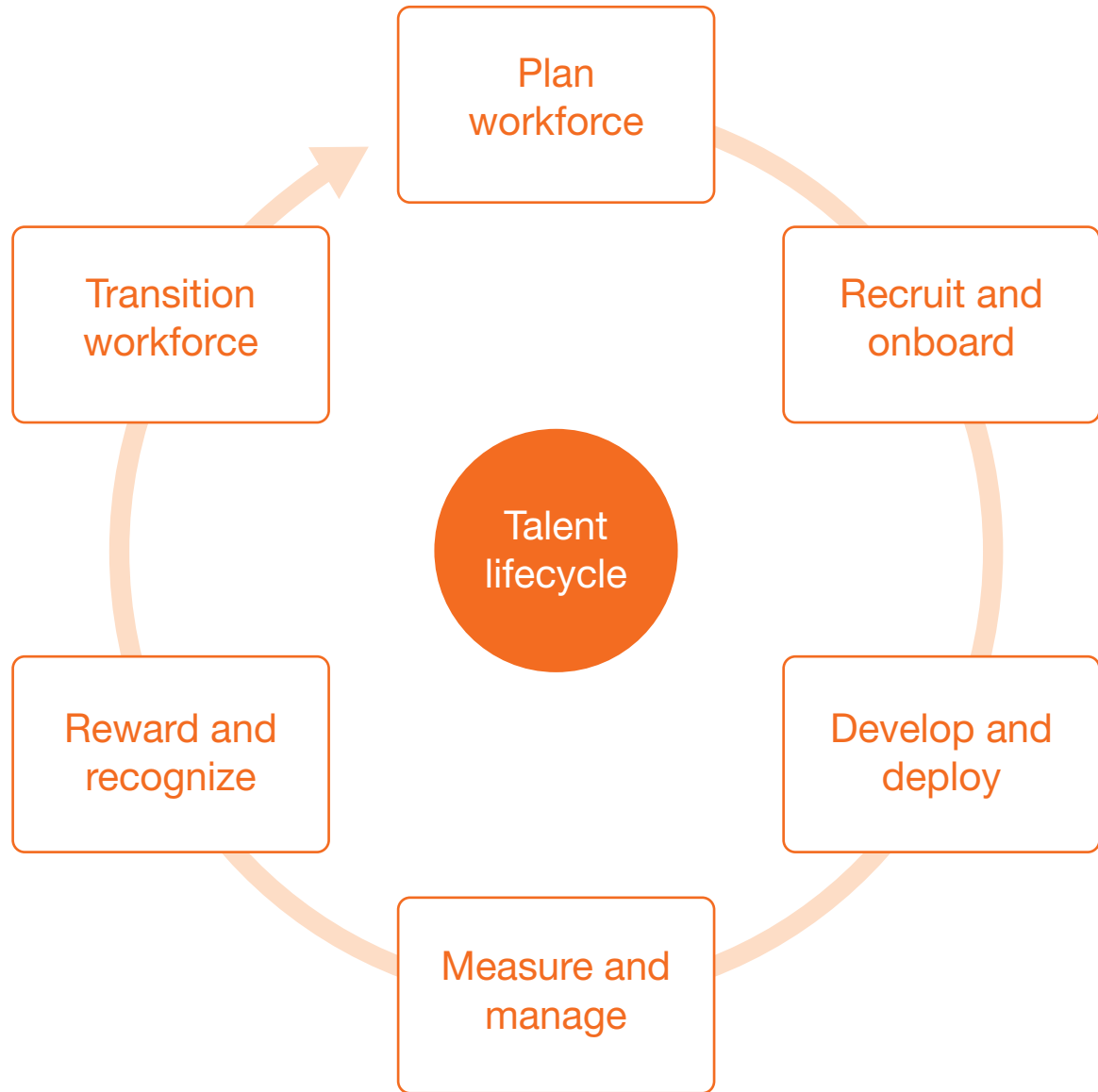
 Lagging

A framework for response



*Our recommended approach
to the issue.*

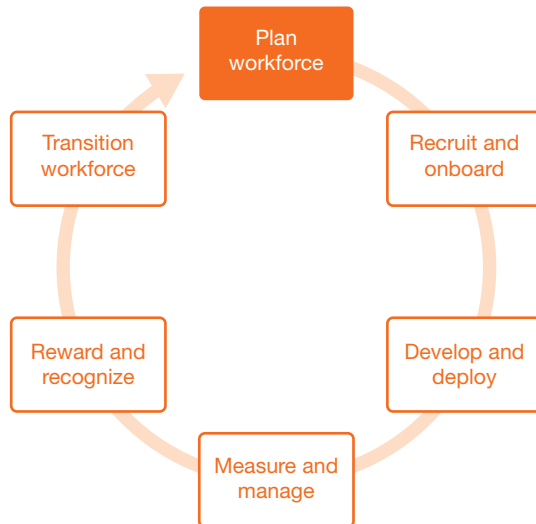
Develop an integrated, proactive talent management strategy that effectively supports the integration of alternative talent pool candidates.



During all phases of the talent lifecycle, it is necessary to manage employee engagement.

- Collect and analyze employee feedback data.
- Implement targeted engagement strategies.

Plan workforce—Planning activities and deliverables.



Planning activities

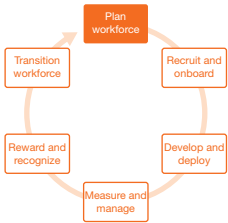
- Align business and talent strategy.
- Define workforce planning strategy.
- Conduct external scan of talent marketplace and salary levels.
- Design operating model:
 - Organization and job design.
 - Technical and behavioral competencies.
 - Job titles/levels and compensation range.
- Conduct talent assessment.
- Determine gaps and talent sourcing strategy.
- Develop business case and success measures.
- Build supporting processes:
 - Global mobility.
 - Scorecards.
 - Service-level agreements.
 - Employee referral program.

Deliverables

- Workforce planning.
- Organization and job design.
- Talent gaps and sourcing strategy.
- Business case.

Plan workforce—There is an untapped talent pipeline in your own backyard. Identify, develop, and deploy existing talent across lines of businesses and regions.

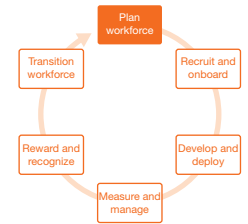
Surplus employees represent valuable human capital. Redeployment of talent assets preserves firm investment while offsetting future recruitment and onboarding costs. Key benefits include:



Retaining “institutional knowledge capital”	<ul style="list-style-type: none">• Most companies retain talent on the basis of domain knowledge, experience, pay, or years of service, yet few plan on the basis of future-state skills.• Retaining working knowledge of both the industry and the organization is critical to organizational performance, as are employee networks that are built over time. Both contribute to creativity in generating new products and services.
Aligning talent strategy with talent expectations	<ul style="list-style-type: none">• The talent of today plans for 2-to-5-year career horizons and having several careers in a lifetime is desirable. Given the increasing shifts in skill demand, organizations should use the desire of existing talent for reinvention as an opportunity.• From an employee perspective, redeployment can be seen as an opportunity for individuals that may not have arisen otherwise.
Enabling employee engagement	<ul style="list-style-type: none">• Identifying and grooming internal talent and providing learning opportunities to increase the internal supply of future leaders (and top talent in key positions) ensures that an organization’s growth and profitability are not restricted by a lack of talent.• Employee engagement has been shown to increase when an organization demonstrates investment in both learning and development and in making career opportunities available to employees.

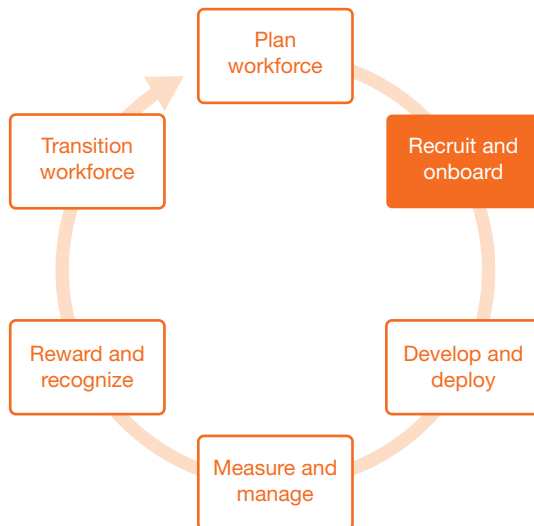
Redeploying current talent across regions and/or lines of businesses (such as asset management or commercial banking) enables the management of skills gaps, retention, and enhances employer brand.

Plan workforce—Identify, develop, and deploy existing talent across lines of businesses and regions.



Solution:	
Talent	In market, current bank employees.
Examples	Financial advisors, loan officers, retail branch managers.
Key considerations	<ul style="list-style-type: none"> • Build a training and development support structure that demonstrates organizational commitment to horizontal and vertical growth. • Develop an internal recruitment mobility function. • Create buy-in and engagement for managers to support movement of talent.
Benefits	<ul style="list-style-type: none"> • Demonstrable track record of performance. • Enhanced ability to drive business outcomes that can inform selection decisions with a clear understanding of competency gaps. • Key competencies aligned to private banking role, such as marketing and behavioral competencies of relationship management. • Institutional and market knowledge, relationships, and cultural understanding. • Instead of investing time and money associated with traditional costs of onboarding a new employee, investment shifts to focused and targeted skill development with existing employees. • Reduced external recruiting costs.
Challenges	<ul style="list-style-type: none"> • Breaking down the barriers of siloed talent decisions across business lines. • Using the knowledge of skill gaps to make informed skill development investments.

Recruit and onboard— Planning activities and deliverables.



Planning activities

- Define target talent markets.
- Redesign sourcing strategy.
- Build alliances/relationships with sourcing channels.
- Mobilize and manage external and in-house sourcing agencies.
- Define hiring process:
 - Selection criteria.
 - Interviews/case studies.
 - Reference and background checks.
- Execute external hiring process.
- Redeploy internal talent.
- Develop and launch onboarding program.
- Measure recruitment effectiveness.

Deliverables

- Sourcing strategy.
- Alliances managed.
- Recruiting capability.
- Hiring executed.
- Recruitment metrics.
- Onboarding program.

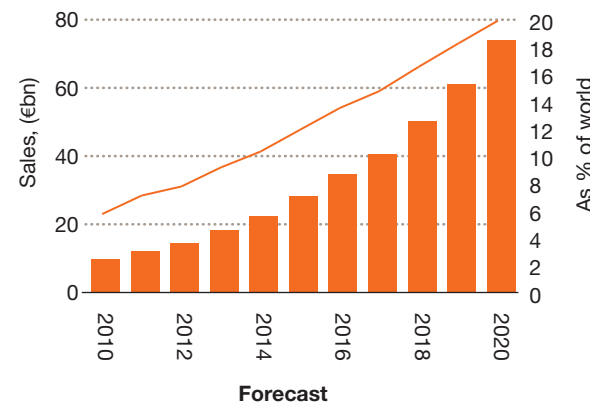
Recruit and onboard— Define target talent markets.

Example: Acquire talent from alternative and underutilized talent pools with parallel attributes and ready-made guanxi.

Tapping into talent within the luxury goods market may deliver the client service capability as well as connections to prospective banking clients.

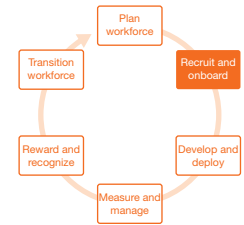
Over the last decade in China, there has been an explosion of demand for luxury goods and services.¹ Global and regional luxury brands have flooded the marketplace. Talent from luxury industries has been groomed to cater to clients who demand and appreciate high levels of service. Sales and client service are among the most important and relevant competencies in private banking.

China's luxury-goods market



Source: Amar Gill and Xun Min Ip, "Fat cats in fast lanes: Surge in high net worth individuals," CLSA: *Wealthy Asia*, September 5, 2011, <https://www.clsa.com>

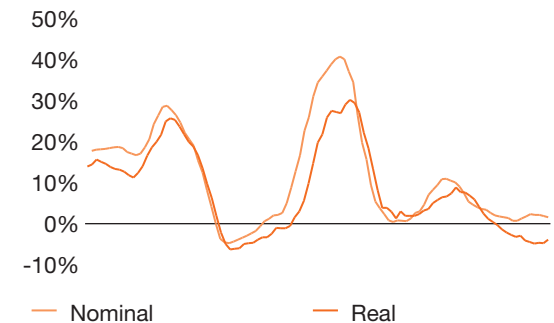
¹ The Economist, "The Middle Blingdom," February 17, 2011, <http://www.economist.com>.



Talent from the Chinese real estate industry may be a viable talent pool, given this sector's access to high-net-worth individuals and awareness of investment behavior.

The risk of a real estate bubble in China may drive investors to seek alternative shelter for wealth, and real estate talent may be a critical conduit to a pool of high-net-worth clients.

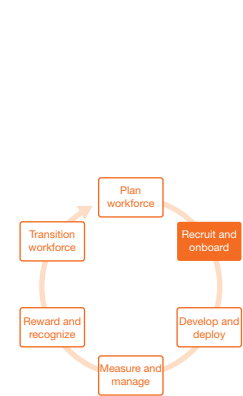
Annual House Price Changes (%)



Source: *Global Property Guide*, "China slows significantly, house prices vulnerable," December 9, 2011, <http://www.globalpropertyguide.com>.

**Recruit and onboard—
Define target talent
markets (continued)**

**Example: Acquire talent
from alternative and
underutilized talent pools
with similar attributes and
ready-made guanxi.**



Solution:	
Talent	Talent with key competencies from alternate industries.
Examples	Professionals from hospitality and luxury industries.
Key consideration	Consider organizational role implications of front office. Design roles that can collectively contribute to driving business outcomes and help ensure the right mix of skills and competencies exist within a team. Define value proposition for this candidate pool, inclusive of an incentive based rewards program and compelling development program.
Benefits	<ul style="list-style-type: none">• Possess many key behavioral competencies that are critical to success as a private banker.• Experience servicing and being a trusted advisor to HNWI and UNWI clients.• Established personal brand and long standing relationships with these individuals.• Fresh perspectives and practices can support the development of a sales culture.
Challenges	<ul style="list-style-type: none">• Professionals will need extensive product and technical training.• Reconfiguring onboarding and training processes to support mid-career changes into a new industry.

Recruit and onboard— Well-designed strategic investments and global recruitment strategies should aim to recruit Chinese nationals.

Approximately six million young Chinese men and women are graduating college every year and are finding it increasingly difficult to find jobs.

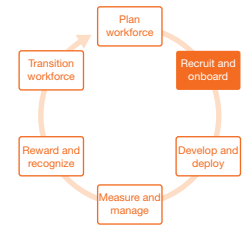
According to the Chinese Academy of Social Sciences, the **unemployment rate** for college graduates in **2009** was **12 percent**. That same year, China had nearly 30 million college students and **98.3 million college-educated people** in the **working** population. The latter number is expected to rise to **195 million by 2020**, making China the home of the world's largest number of college graduates.¹

1 Wang Huiyao, "China's National Talent Plan: Key Measures and Objectives," The Brookings Institution, November 23, 2010, <http://www.brookings.edu>.

Idea Snapshot: Investing In Your Talent “Supply Chain”

By sponsoring collaborative partnerships with multiple educational institutions, companies can create opportunities and benefits for all stakeholders: the educational institutions, the faculty, the students, and themselves.

- To qualify for the program, an educational institution must be innovative, willing to raise the industry orientation of its students, and be interested in having a continuous relationship with them.
- A program can provide seminars, competency development programs for students and faculty, student projects, case studies, faculty sabbaticals, and other knowledge-sharing and developmental opportunities.
- A dedicated intranet portal hosted by the firm can provide courseware, interactive sites for student projects or sabbatical projects, discussion forum sites, and other two-way communication channels.
- With increased interest and dialogue with industry, institutions may pursue opportunities to co-design industry-relevant topics as electives. Industry electives facilitate access to career paths for students and enhance their employability.



Ultimately, by increasing the level of engagement with key talent sources, companies gain visibility with top talent, create demand for coveted roles, and increase the odds of attracting industry-ready and capable professionals.

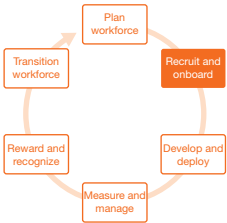
**Recruit and onboard—
Well-designed strategic
investments and global
recruitment strategies
should aim to recruit
Chinese nationals
(continued).**



Solution:	
Talent	Chinese National college graduates across the globe.
Examples	Target Chinese Nationals studying in the United States, Australia, UK, South Korea, and Japan (the largest importer of Chinese students).
Key consideration	Sponsor collaborative partnerships with educational institutions and influence the conversion of raw capability into industry-ready talent.
	Develop and leverage a recruiting function that spans geographies.
	Private banking programs should include a rotation in both a developed and emerging market.
Benefits	<ul style="list-style-type: none">• China is a significant student exporter and these students will bring a global perspective, yet have roots and relationships in China.• Talent with experience in both developed and emerging markets increases an organization's capability and will enable an organization to adjust as markets shift over time.• By increasing the level of engagement with key talent sources, companies gain visibility with top talent, and improve their ability to attract industry-ready and capable professionals.
Challenges	<ul style="list-style-type: none">• It takes time for this pool of talent to build its own client base and to contribute directly to the bottom line, given the need for extensive training and onboarding.• Campus recruiting will require a higher level of effort.

Recruit and onboard—
Challenge conventional
ways of working, refine
sourcing strategy,
and establish virtual
workplace capabilities.

Adopting virtualization has a positive impact on both talent objectives and broader business results, such as sales, cost containment, and risk management. In client service functions, virtualization enables client-facing roles to be more mobile and available to their clients, and also enables non-client facing work to be done from remote locations.



When executed and communicated appropriately, strategy-based virtualization can act as a magnet to attract and retain pivotal talent.

What it is...	Virtualization is the act of moving roles, processes, and systems from one or several central office locations to a decentralized, flexible model as a means of reducing costs, increasing the flexibility of the workforce, and attracting or retaining top talent.
What it encompasses...	Virtualization can include any combination of these flexible work arrangements depending on a firm’s unique needs and circumstances.

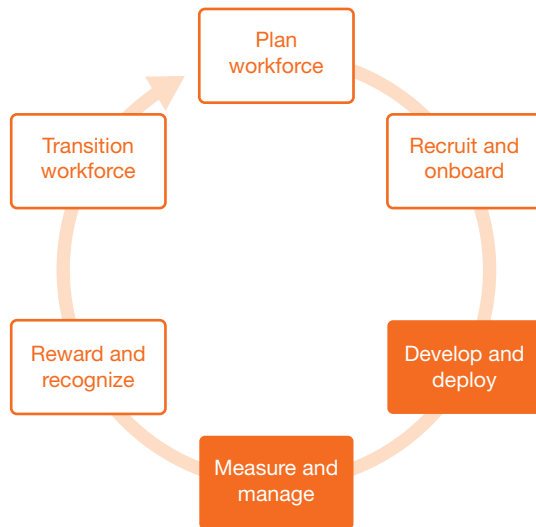
Flex time	Flex place	Compressed schedule	Reduced schedule	Job share
Altering start and/or finish times of a work day, but maintaining the same number of regularly scheduled working hours.	Routinely working away from assigned office—may include working from home, remote location or satellite location.	Altering start and finish times of a work day—compressing scheduled hours into fewer days.	Working fewer hours than the regularly scheduled hours for your business or location. Depending on the number of hours worked, benefits may be affected.	Two or more employees sharing a full-time position on an ongoing basis.

*Recruit and onboard—
Reallocate talent through
the use of both mobile and
virtual workforces.*



Solution:	
Talent	Virtual and mobile talent workforce.
Examples	Virtual internal or external: Target Chinese Nationals in region or abroad.
Key consideration	Target Chinese nationals residing in alternate major Chinese cities or locations where technology infrastructure and working conditions can meet organizational requirements. Consider staffing this talent in roles that are both customer-facing and non-customer-facing based on the client service coverage model. Additionally, job sharing or flexible time can be leveraged to an organization’s advantage to support client relationships.
Benefits	<ul style="list-style-type: none">Virtualization is a commitment to flexibility in an array of formats. It can serve to attract, retain, and nurture the future leaders of your organization. When executed and communicated appropriately, virtualization can act as a magnet to attract and retain pivotal talent.A targeted virtualization program can promote operational effectiveness, improve employee satisfaction, and drive cost savings throughout the business.
Challenges	<ul style="list-style-type: none">Failing to comply with organizational virtual work policy, such as work conditions and technology requirements.Failing to get top-level buy in on staffing approach.Limiting benefits to special circumstances or only certain employees, versus a systemic approach.

Develop and deploy, Measure and manage.



Develop and deploy

Planning activities

- Develop/rollout private banking boot-camp training program.
- Design/implement training and skill-building solutions.
- Develop/refine leadership and professional development programs.
- Execute sourcing alliance management approach.
- Define development plans and career paths

Deliverables

- Private banking boot-camp training program.
- Leadership development programs.
- Professional development.

Measure and manage

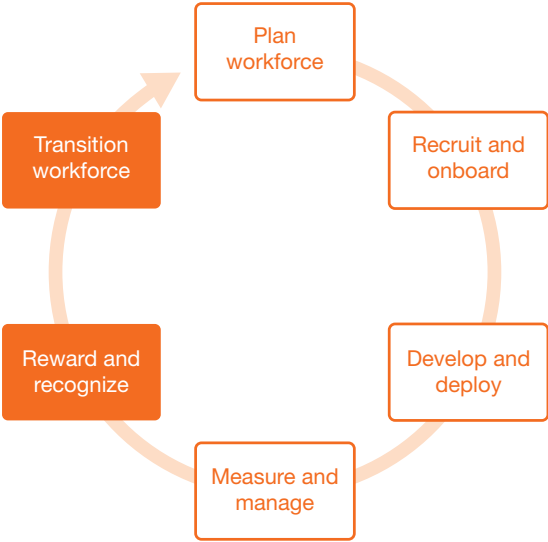
Planning activities

- Identify and evaluate individual and team performance.
- Identify and manage top talent.
- Conduct talent review process.
- Design and launch ongoing performance management program.
- Implement retention strategy.
- Develop aggregated talent dashboard by employee.
- Define cyclical process for evaluating talent.

Deliverables

- Performance scorecards.
- Performance management executed.
- Retention strategy.
- Talent review process.

Reward and recognize, Transition workforce.



Reward and recognize

Planning activities	<ul style="list-style-type: none"> Develop incentive and rewards strategy that encompasses both team versus individual goals and base and incentive compensation. Define changes in incentives and rewards for support roles. Refine current performance management programs as required. Launch, monitor, and evolve rewards strategy to incent desired behavior.
Deliverables	<ul style="list-style-type: none"> Rewards strategy. Performance scorecards. Incentive plan changes. Ongoing monitoring.

Transition workforce

Planning activities	<ul style="list-style-type: none"> Assess readiness for next-step lateral or promotional roles. Define and implement rotational programs. Manage out poor performers. Implement succession movement plan and track employees as required.
Deliverables	<ul style="list-style-type: none"> Transition management reports.

How PwC can help



*Our capabilities and
tailored approach.*

***We help our clients
address workforce
planning and recruitment
to deliver enhanced
customer experience.***



Client needs	Issues that PwC helps clients address
Product mix/pricing	<ul style="list-style-type: none"> • Conducting external market and competitor analysis. • Assessing effectiveness of product and pricing strategies. • Defining product and pricing strategy and business case. • Aligning product and pricing to client segmentation strategy.
Client segmentation	<ul style="list-style-type: none"> • Rethinking strategy in terms of markets, geographies, channels, and clients. • Conducting voice-of-the-customer (VOC) analysis and competitor analysis. • Developing client segmentation and coverage model. • Refining brand, marketing, and public relations strategy. • Refining client marketing and communications programs to increase client loyalty. • Assessing effectiveness of client segmentation organization model and governance and decision rights, and redesigning as needed. • Establishing and managing the program management office required to implement a new client segmentation program.
Organization and talent	<ul style="list-style-type: none"> • Defining and launching enterprise-wide cultural and behavioral change programs. • Redesigning organization and job design for relationship managers and support functions. • Defining core, technical, and leadership competencies. • Assessing talent, and developing talent strategy to address gaps. • Defining and delivering leadership development programs. • Developing and delivering training programs. • Developing internal communications and change-management program.
Risk and regulatory environment	<ul style="list-style-type: none"> • Conducting risk and regulatory impact assessment. • Redesigning processes to meet compliance requirements. • Developing programs to drive risk and regulatory adoption. • Defining new business models to meet client risk preferences
Performance management	<ul style="list-style-type: none"> • Redefining total rewards strategy. • Designing business balanced scorecard and performance dashboards. • Implementing continual feedback to drive high-performing teams.
Management information	<ul style="list-style-type: none"> • Transforming business information to drive insight and fact-based decision-making. • Understanding constraints within current IT architecture, systems, and data. • Coordinating technology vendor selection. • Designing and implementing new tools and technologies.

What makes PwC's Financial Services practice distinctive.

Integrated global network	PwC's Financial Services practice consists of more than 34,000 industry-dedicated professionals worldwide, including more than 4,500 in the United States. They serve large and multinational banks, insurance companies, investment managers, broker-dealers, hedge funds, and payments organizations. The US Financial Services practice is part of the PwC global network, which has clients in more than 150 countries.
Extensive industry experience and resources	PwC serves more of the biggest and most complex financial services companies than any other firm. We understand from personal experience the wide variety of business issues that affect the industry, and we apply our knowledge to our clients' individual circumstances. Moreover, our large, integrated global network of industry-dedicated resources enables us to apply this knowledge on our clients' behalf whenever and wherever they need it.
Multidisciplinary problem solving	The critical issues financial services companies face today affect all of their operations. Addressing these complexities requires both breadth and depth, and PwC service teams include specialists in risk management, compliance, technology, business operations, finance, change and program management, data and business analytics, economics and analysis, internal audit, tax, forensics, and investigations.
Practical insight into critical issues	In addition to working directly with clients, our practice professionals and Financial Services Institute (FSI) regularly produce client surveys, white papers, and points of view on the critical issues that face the industry. These publications—as well as the events we stage—provide clients new intelligence, perspective, and analysis on the trends that affect them.
Focus on relationships	PwC's size, financial stability, and 150-year history all contribute to our long-term view of client relationships. We help clients translate strategy into action by helping them address their challenges in finance, tax, human resources, operations, technology, and risk and compliance.

Appendix



Select qualifications.

Post-acquisition integration of talent

Private bank

Issues

A US regional private bank acquired and quickly integrated several regional competitors to broaden its US footprint across its private banking, wealth advisory, and investment management functions. To best serve its clients, the bank wanted to leverage the full spectrum of talent, experience, and skills that existed among the newly acquired and existing workforce. The client engaged PwC for assistance with staffing, selection, and transitioning the workforce into the new organizational structure in a way that would achieve this goal.

Approach

PwC was engaged by the client to provide advice on the staffing and selection process and help facilitate the transition of employees into the new organization. We provided assistance in the following areas:

- Helped onboard HR business partners to carry out staffing and selection activities for their respective functions.
- Facilitated the selection process and managed employee data.
- Provided advice and inputs for implementation and transition planning, including change management, knowledge transfer, and leadership alignment.
- Provided advice and execution support for communications planning and key message development.
- Shared industry insights on severance, outplacement, and counseling methodology.
- Provided high-level job grade/band analysis and recommendations for positions in the new organizational structure.
- Developed a strategy for retaining critical talent post-integration.

Benefits

The new operating model and retention strategy resulted in improved customer service and an overall enhancement to the client experience. Senior executives and top talent now manage the client experience at the local level and work together to make decisions to better serve clients through enhanced quality and responsiveness.

Development of competency model for talent assessment

Global bank

Issues	<p>A global bank sought to develop a customized competency model as the foundation for its global talent assessment. The purpose of the talent assessment was to identify strengths and opportunities of employees globally at the individual and group levels. The bank engaged PwC to help it develop the customized competency model.</p>
Approach	<p>PwC collaborated with the client to develop a customized competency model using a hands-on approach. This included:</p> <ul style="list-style-type: none">• Mobilizing a core working team from diverse regions.• Conducting a series of interviews and working sessions to distinguish among professional core, leadership, and technical competencies. <p>PwC developed comprehensive behavioral descriptions to clearly define each competency. We then identified proficiency targets by level for each competency, which served as the basis for the talent assessment. Once the competency model was approved by the client, PwC facilitated a pilot communication session to socialize and gain support for the model and the talent assessment process.</p>
Benefits	<p>With PwC's help, the client was able to define and communicate key competencies and expected behaviors, promoting consistency across all regions globally. The talent assessment will enable the client to:</p> <ul style="list-style-type: none">• Identify developmental gaps in knowledge, skills, and abilities at the individual and group levels.• Refine existing processes (such as training, job design, recruitment) to fill identified gaps and prioritize these processes. <p>The competency model used in the assessment created a foundation that the client can leverage for its annual talent assessment and the development of an appropriate people strategy.</p>

Multi-Channel Integration Strategy

Major China bank

Issues

A large bank in China wanted to develop an integrated strategy that would leverage physical and digital channels to serve customers—anytime, anywhere. However, it was challenged by a siloed operating model and lack of integration across physical and digital channels, which resulted in less-than-optimal service and sales opportunities and a disjointed customer experience. With a heavy reliance on traditional channels for growth, the bank also was lagging in digital channel capabilities, investment, and customer uptake. The bank engaged PwC to help it build a multi-channel customer acquisition and servicing model for future growth.

Approach

PwC worked with the client to develop an integrated, multi-channel strategy that included:

- Recommendations regarding the capabilities and optimum use for each channel.
- Data integration requirements.
- Customer segmentation and migration opportunities to advance future digital channel adoption.

PwC assessed the current state of the bank's technology and processes and identified the gaps that needed to be filled in order to support a cross-channel sales and servicing model. We then prioritized the gaps and created a roadmap to fill the gaps and guide implementation and execution of the strategy.

Benefits

PwC helped the client align its organization around the need to:

- Create an integrated, multichannel strategy.
- Deliver on the bank's future vision.
- Grow its revenue and customer base through digital channels.
- Drive profitability through "right channeling."

The client now has a strategy and comprehensive integration requirements—both multi-channel and channel specific—to deliver a superior and seamless banking experience to its customers.

www.pwc.com

***To have a deeper conversation,
please contact:***

Americas

Bhushan Sethi	bhushan.sethi@us.pwc.com +1 646 471 2377
John Garvey	john.garvey@us.pwc.com +1 646 471 2422
Susan Hothersall	susan.hothersall@us.pwc.com +1 646 471 8316

Asia

Roger Ng	roger.ng@cn.pwc.com +86 (10) 6533 3108
Charity MT Hui	charity.mt.hui@hk.pwc.com +852 2289 5009

“Grow a Tree for Ten Years; Grow Men for a Hundred: How Private Banks Can Nurture Human Talent to Prosper in China” PwC FS Viewpoint, April 2012. www.pwc.com/fsi

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