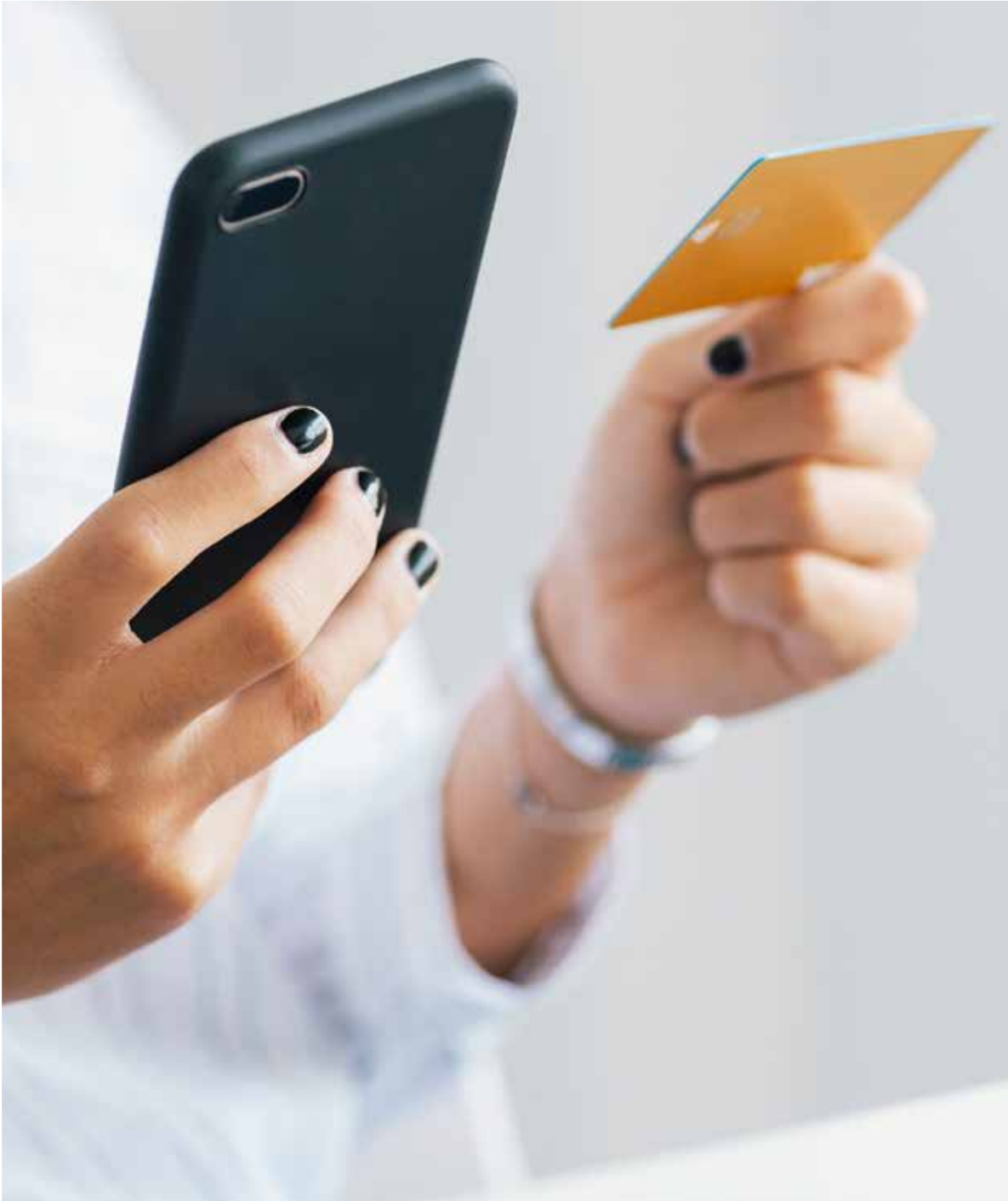


# Banking and capital markets trends 2019

Why banking and capital markets transformation is all about people

Part of PwC's 22nd Annual Global CEO Survey trends series





# Seeking skills

A vast amount of investment has been pouring into technology across the banking and capital markets (BCM) industry. So where's the payback? It's increasingly clear that tech alone can't transform your business and meet fast-shifting customer expectations without the necessary talent, trust and human touch.

PwC's 22nd Annual Global CEO Survey underlines this. Almost 80% of the 235 BCM CEOs who responded see skills shortages as a threat to their growth prospects (35% are 'extremely concerned' and 44% are 'somewhat concerned'). Most believe that this skills gap is undermining their organisations' ability to innovate effectively and provide a winning customer experience.

How, then, can your business put people back at the heart of a successful enterprise transformation?

## Finding opportunity

Digital transformation within BCM is gathering pace and creating huge opportunities for innovation and differentiation.

Nearly three-quarters of respondents say that deploying emerging technologies will separate high-performing firms from average (or worse) performers three years from now. And more than 90% believe that artificial intelligence (AI) will significantly change how they do business over the next five years. More than just lowering costs, CEOs are counting on technology to deliver more seamless interactions with customers, valuable new insights about their brands and markets, and more tailored and targeted products and services.

Yet we also know that even the most advanced tech capabilities can't provide a magic solution on their own. If there is one issue that BCM organisations should spend more time thinking about, it is the interplay between technology and humanity. And

this shows up in many different ways, including understanding what customers really want from your business, assessing your workforce's readiness for change, facing your clients' willingness to share data and ensuring the responsible use of AI in areas such as credit screening. The big risk is that the necessary talent isn't there, or that employees don't know how to use technology in a sufficiently trusted, effective or meaningful way.

So why is this interplay so critical? For all BCM organisations, the overriding challenge is how to keep pace with the expectations of retail, business and capital markets customers. Increasingly, these customers expect the same ease, speed and intuition from banks that they've become accustomed to in other areas of their commercial lives. Some of these expectations are basic — for example, 'Why should I wait weeks for approval on a loan or have to start the inquiry from scratch when I switch from mobile to branch?' Others are more complex and provide opportunities for BCM firms to stand out in

the market: 'If my bank has all this data on me, how can it help me meet the changing needs in my life — buying a new home for my expanding family or managing the risks facing my business in a time of market uncertainty and volatility?'

Meeting these more exacting expectations requires human collaboration with (rather than replacement by) machines. People — not systems — drive innovation and help realise its full commercial potential. For instance, millennials working in FinTech are drawing on their personal experiences — such as difficulties in saving enough for a deposit on a home or attracting funding for new business ideas when they have little or no credit record — to develop new banking capabilities that include spending tracking and analysis apps to help individuals reach specific financial goals.

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The need to train AI to understand and respond to human interactions and nuanced demands is going to make this ability to relate to real lives ever more important. And as more operations become automated, the innately human capabilities that can't be replicated by machines, such as creativity, empathy and leadership, are becoming even more of a differentiator. For example, the growing importance of delivering financial wellness as a key customer outcome and strategic goal underlines the value of empathy. Further need for human touch would include judging how technology can be deployed in the best interests of customers and wider society. Unfettered use of AI and client data could have unintended and reputationally damaging consequences.

The critical human dimension can easily be forgotten with a narrow, systems-focussed approach to enterprise transformation. Indeed, the CEO Survey findings highlight the problems that arise when this dimension is missing: nearly two-thirds of respondents who are 'extremely concerned' about skills shortages believe that their organisation is unable to innovate effectively – and that quality standards and/or customer experience are impacted as a result (see Exhibit 1).

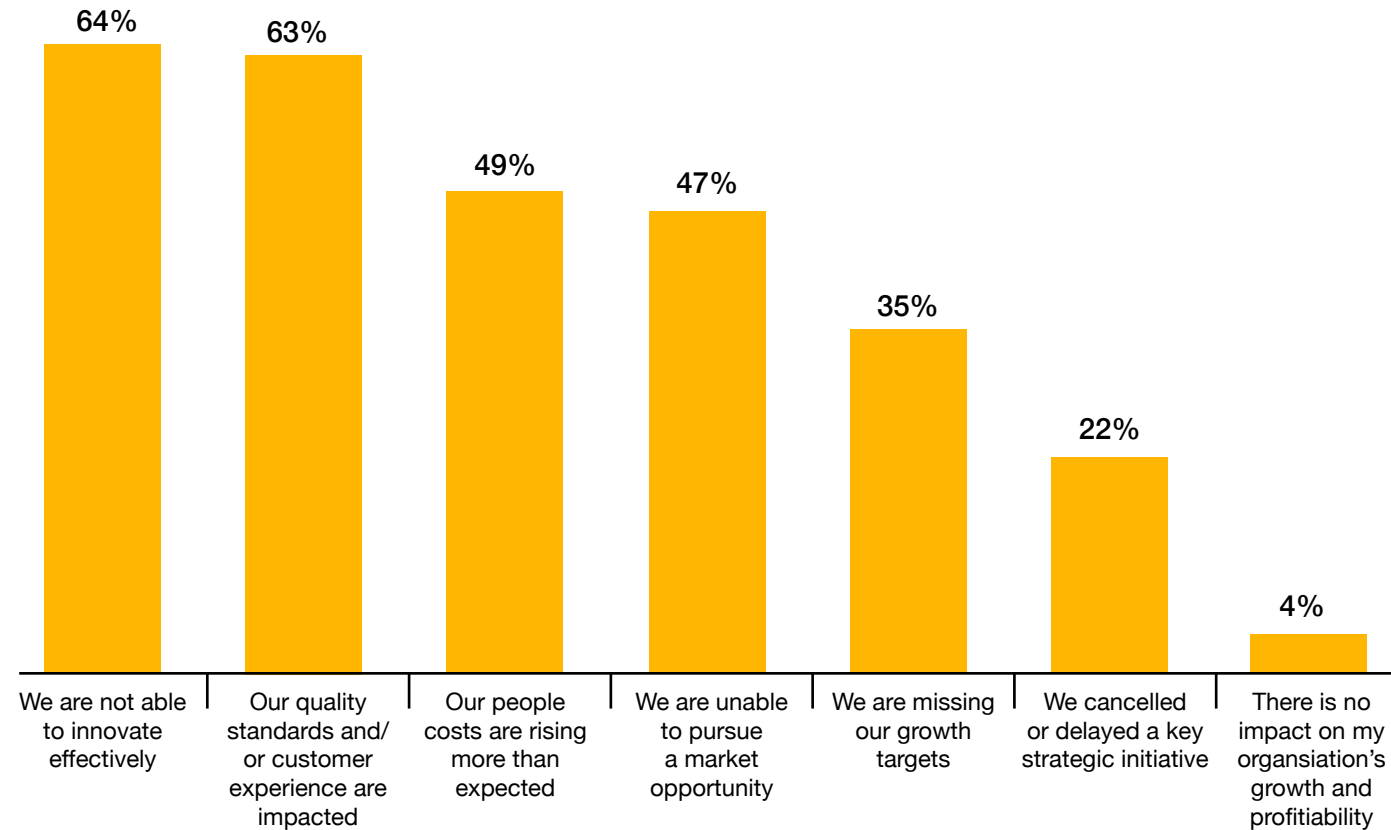
EXHIBIT 1

# Skills shortages hold back innovation, quality and growth

QUESTION

What impact is 'availability of key skills' having on your organisation's growth prospects?

(Asked to those who selected 'extremely concerned' for availability of key skills)



Source: PwC, 22nd Annual Global CEO Survey  
 Base: Banking and capital markets CEOs (83)

## Putting people at the heart of transformation

How can your business ensure humans and machines work in harmony? What comes through strongly from the survey and from our work with BCM clients is the importance of looking at transformation — and humans' place within it — through a different lens.

### 1. Leaders need humanity as well as tech savviness

A new type of leader is needed: tech-savvy humanists who understand the potential of new technologies and how they can be knitted together to align with

strategic objectives, whilst recognising that organisations are run by people, for people.

For example, rather than looking at robotic process automation (RPA) or AI implementations in isolation, it's important to think about how to bring them together as part of a cohesive solution. A case in point might be offering small businesses the level of high touch that previously would have been available only to larger organisations. RPA clearly could free up the staff time, but AI-driven insight would help them make the best use of this time. Focussing on small and growing enterprises is also a great way to provide people with opportunities for more

fulfilment on the job, giving them the sense that they are making a contribution to society.

### 2. People are needed to provide reassurance and trust

Technology alone can't meet customer expectations; consumers still value human interaction and accountability. Technology should be used to handle routine transactions and interactions so your employees have more time to serve customers directly. It's also important to ensure that employees understand the incoming technology so they can judge how to use it in customers' best

interests — for example, using mobile capabilities to encourage saving, rather than to simply reduce operating costs.

The adoption of AI can often come up against scepticism, both from within the organisation and externally from clients, regulators and others. The instance of so-called flash crashes, blamed on stresses in algorithmically based trading systems, has amplified the need to build confidence in AI operations. And on the retail side, if an AI-powered credit system turns down a customer for a loan or is believed to be discriminating against sections of the community, additional red flags about embedded biases in the technology may be raised.



Building the necessary trust requires increased awareness and transparency around how the AI is being used, the decisions it makes and the opportunities it brings — this is the essence of ‘responsible AI’ and ‘explainable AI.’ People who understand and can explain AI decisions — for example, how machine learning is used within credit scoring, how the systems were trained and how the process is controlled — are highly prized employees in this environment. Moreover, maintaining diversity among the people who are helping to develop AI programmes is important in ensuring that unconscious biases aren’t built into the outputs.

### 3. Think about tasks and capabilities, not numbers

As automation and AI implementation gather pace, the focus of workforce strategies tends to be a bit misplaced, focussing on jobs that will no longer be needed when, in reality, bits of jobs rather than entire roles will be replaced and augmented. This highlights the need for a systematic breakdown of the key tasks and capabilities required to meet customer expectations, as well as a need to

develop new business models around this breakdown. For example, what’s the right balance between human and robotic advice within the model you want to pursue?

**Technology alone can’t meet customer expectations; consumers still value human interaction and accountability**



#### 4. Take your workforce with you

Change on the scale that is occurring among banking and capital markets firms can be a deep source of anxiety and insecurity — many people are worried about how their jobs will change, or even whether they will have a job at all. And this concern isn't coming only from those working in areas such as payment, customer service and trade settlement, but also in higher-end

functions such as finance and investment management.

It's therefore important to start a mature conversation within the organisation that deals frankly with how your organisation is going to operate in the digital era, what roles might come under threat and how automation/AI can augment rather than simply eliminate people's work. This includes articulating the opportunities

to make working lives more productive, meaningful and fulfilling.

Change on this scale can also be daunting. Many employees are struggling to see the forest for the trees, which can lead to resistance to change — or can encourage some to give up rather than adapt. The challenges can be exacerbated by the use of an almost entirely new language surrounding these changes and the

technologies that underpin them. For example, 'What is a chatbot, what does AI training involve and how do they actually impinge on my work?' For your employees, it's important to simplify the process of incorporating AI by helping them understand what they need to know and what's just noise.



## 5. Look inside and out

More than 60% of BCM CEOs believe that it has become more difficult to hire workers in their industry. The challenges are heightened by the fact that many of the people with the right capabilities – empathy, innovation and engagement skills, as well as digital familiarity – may need to be sourced from outside the BCM industry. Technology is clearly a focus, as are sectors that are seen as leaders in innovation, such as the automotive industry, or leaders in customer engagement, such as the retail or healthcare industries. In other words, you should reach out to candidates who might not have considered a career in BCM.

Yet few BCM CEOs see hiring from outside as the best way to close the skills gap (see Exhibit 2). The reluctance to bring in fresh blood is often compounded by many regulators' misgivings about allowing people with no BCM experience to take up authorised roles within the industry. It's important as well to work with regulators to explain how your business is changing and to ease any concerns about hiring people from other sectors.

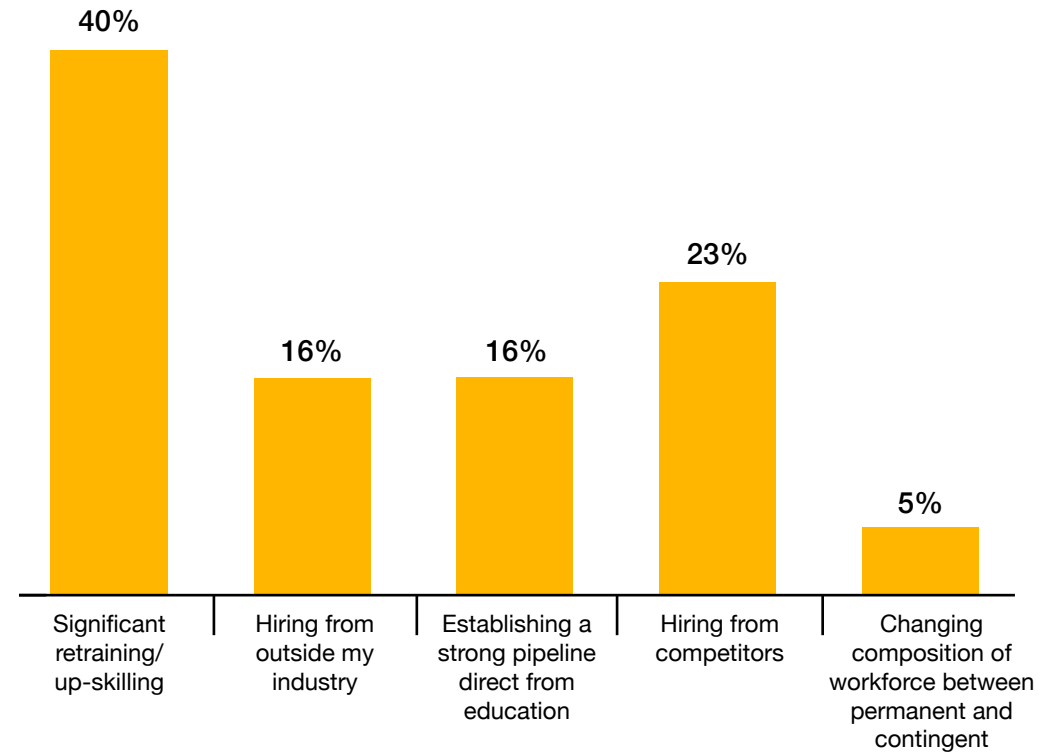
Other key sources of talent may include service providers, strategic partners and contingent workers, a trend that is accelerating due to pressure to reduce fixed costs (and, therefore, in-house workforces). This underlines the need for agile collaboration with a range of different partners.

### EXHIBIT 2

## Strategies for closing the skills gap include significant retraining and up-skilling

### QUESTION

Which of these is the most important to close a potential skills gap in your organisation?



Source: PwC, 22nd Annual Global CEO Survey  
Base: Banking and capital markets CEOs (235)





Although hiring can help bridge the capabilities gap, Exhibit 2 highlights that retraining and up-skilling are even more important. Using AI-generated sources of information to enable compliance teams to move from after-the-fact, paper-based oversight to monitoring and managing risks in real time, for example, would be a valuable shift in skills. Programmes are in place, but new ways of working often can come up against resistance from a ‘frozen middle.’ This highlights the importance of bottom-up buy-in as well as direction from the top. Involving your people in making the plans for change can go a long way to winning their support — people adopt what they create.

### **The sweet spot between technology, data and humanity**

AI and machine learning are revolutionising customer intelligence and experience within both corporate and retail banking. Yet it’s people who drive transformation and derive the value. Setting the pace demands a clear understanding of what kind of skills and culture offer foundations for success, as well as an understanding of how your company can harness these necessary capabilities.

You must also ensure that customers have the confidence and trust to engage with you on a new level. The most successful strategies will cut across technology, data and humanity.

**Involving your people in making the plans for change can go a long way to winning their support — people adopt what they create.**



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## Strategy made real

**As BCM organisations become more embedded in customers' lives, what opportunities are opened up – and how can your business capitalise?**

As technology continues to advance, becomes more integrated into frontline operations and connects more easily with clients' own systems and devices, banking isn't going to look like banking anymore. Many of the customer needs will be the same: a loan or an investment, for example. But how these demands are delivered is going to become much more embedded in the lives of retail and business customers, anticipating their needs and offering seamless ways to meet them. This might be a mortgage that is already ready to go when customers start looking for a new home. For corporate clients, it might be using bank data to provide proactive insights to support their strategic planning, or cash flow analysis that feeds into working capital solutions.

Success is as much about mind-set and engagement as technology. Banking and capital management executives must put themselves at the centre of their customers' lives and be relevant, useful and responsive. The more customers let you into their lives, the more you know about them – and the more you can help them. But this requires trust, human insight into their needs and a clear understanding of how you and the technology you use can provide the best outcomes.



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# About PwC's 22nd Annual Global CEO Survey

PwC conducted 3,200 interviews with CEOs in more than 90 territories. There were 235 respondents from the banking and capital markets sector, and 32% of the BCM CEOs reported an annual revenue greater than US\$1bn.

## Notes:

- Not all figures add up to 100%, as a result of rounding percentages and exclusion of 'neither/nor' and 'don't know' responses.
- We also conducted face-to-face, in-depth interviews with CEOs and thought leaders from five continents over the second half of 2018. The interviews can be found at [ceosurvey.pwc](https://ceosurvey.pwc).
- Our global report (which includes responses from 1,378 CEOs) is weighted by national GDP to ensure that CEOs' views are fairly represented across all major regions.
- The research was undertaken by PwC Research, our global centre of excellence for primary research and evidence-based consulting services: [www.pwc.co.uk/pwcresearch](https://www.pwc.co.uk/pwcresearch).

You can find other CEO Survey reports here:

[ceosurvey.pwc](https://ceosurvey.pwc)



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