Challenges and Opportunities for Financial Services

The financial services sector is running a human-capital deficit. In a global market for talent, new technologies, changing employment arrangements, and a rising Millennial generation make it more challenging—and more essential—than ever to train workers and develop leaders. While banking and insurance companies know that people are their most important asset, many are struggling to collect and analyze the data they need, to develop leadership, and to create cultures of continuous learning.

These issues are not unique to financial services. Our 2014 study of more than 5,500 executives and employees across 27 countries—roughly 1,000 of them from banks and insurers—shows similar challenges bedeviling companies across diverse industries.

Human resources is an increasingly complex field, and one with growing strategic importance. For a financial services industry that often leads other sectors in key areas like technology and risk management, being average or just slightly ahead of the field is an unusual position. The real problem, though, is that so-so performance on HR matters threatens to undermine its traditional strengths. Unless banks and insurers can attract, engage, and retain the best people, their overall business performance is at risk.

Setting strategy with tools and metrics

Building a successful talent strategy begins with an awareness of what is happening in the workforce. “It is very difficult for companies to recognize the talent they need to succeed,” says George Murphy, senior vice president of total rewards, HR technology, and operations at Lincoln Financial Group, the big, Philadelphia-based insurer. “One of the major roles that HR can play is helping to see what types of roles and talent are needed to be successful in five years.”

Lack of metrics and tools impedes progress

- 42% say the have ample data about the workforce to understand strengths and potential vulnerabilities from a skills perspective.
- 43% say they use quantifiable metrics and benchmarking as part of the workforce development strategy.
- 35% say they know how to extract meaningful insights from the data available to them.
It does not help that most companies lack the tools and metrics they need to achieve this kind of visibility and develop the strategies to match. Financial services firms are slightly ahead of other industries in terms of having the data they need to understand their strengths and weaknesses, but they are slightly less equipped to extract meaning from that data.

Financial services firms also talk a better game than they play. While more than half of respondents say workforce development is a key differentiator and that they have an execution plan for meeting their goals, less than one-third are acting on a specific, strategic vision. This may indicate a lack of communication among HR strategy-setters and a failure to understand which talent-related goals the company should prioritize.

Not that these are easy things to do, says Rick von Feldt, Chief Learning Officer of Australian software provider Atlassian. “Any growth company that has a future would be lying if they told you that they can find all of the right people that they need,” he says. “Those companies who say they can do not have the right strategies to meet future needs.”

The lack of clarity into workforce issues has serious consequences: only one-third of financial services companies say they are making good progress toward meeting their workforce goals, while half say problems with talent and skills affect their business performance.

Developing leadership

Managing the modern workforce requires leaders to think globally, leverage diversity, and deal with constant change—yet most executives say their companies lack these core abilities, and banking and insurance firms are no exception. Financial services firms—particularly banks—are more likely than other industries to say leaders can effectively manage change, but this advantage is not enough to make up for other serious shortfalls. Just one-third of finance executives say talent available in leadership positions is sufficient to drive global growth, and fewer than half say leadership is equipped to lead a diverse workforce or knows how to inspire and engage employees.

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Franziska Stadelmann, Bank Vontobel

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<tr>
<th>Leadership shortcomings could threaten future growth</th>
<th>Financial Services</th>
<th>Banking</th>
<th>Insurance</th>
<th>Other industries</th>
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<tbody>
<tr>
<td>Our leadership has the skills to effectively manage talent.</td>
<td>53%</td>
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<td>Our leaders know how to inspire and empower employees.</td>
<td>52%</td>
<td>50%</td>
<td>54%</td>
<td>51%</td>
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<td>Our leaders are able to drive and effectively manage change.</td>
<td>50%</td>
<td>54%</td>
<td>46%</td>
<td>43%</td>
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<td>Our leaders are prepared to lead a global workforce.</td>
<td>46%</td>
<td>46%</td>
<td>45%</td>
<td>48%</td>
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<tr>
<td>Our leaders are prepared to lead a diverse workforce.</td>
<td>32%</td>
<td>33%</td>
<td>30%</td>
<td>34%</td>
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These numbers paint a grim picture of leadership today. Even more concerning is the lack of focus on developing tomorrow’s leaders. Only 20% of banking employees and 17% of insurance employees say leadership is among the attributes most important to their bosses. Throw in the fact that only 37% of financial services executives say they are planning for succession and continuity in key roles, and it is clear that firms are missing the opportunity to cultivate capable leaders who can drive future growth.

Financial services firms do have the advantage of attracting top talent, but they need to show employees their commitment to developing them as leaders. This starts with leading by example. “Solid leadership skills need to be trained like a muscle,” says Franziska Stadelmann of Switzerland’s Bank Vontobel. “Leaders need to constantly review and reflect their own leadership work, be self-critical, and learn from feedback. This includes working with a diverse, global team where other opinions and viewpoints count.”

Spotlight on banking and insurance

While our research shows many commonalities among respondents from banking and insurance companies, there are also some key differences in the ways executives and employees at these firms think about workforce development.

Banking is a leader in many areas. Not only are banking executives less likely to say HR is not consulted at all about business planning (21%, vs. 26% in other industries), they are also more likely to say their leaders are equipped to manage change—a critical ability in today’s complex, continually evolving workforce (54%, vs. 43% other industries).

Perhaps more importantly, banking is a leader when it comes to offering employees competitive pay—by far the most important factor related to job satisfaction as rated by workers. While only 45% of banks say they do so, this is still well ahead of insurance (36%) and other industries (38%). “It sounds very simple, but you have to pay well,” says Héctor Cerviño, former executive director of human matters—now director of transformation—at Mexico’s Banco Compartamos. “If you pay well, then you can talk a lot about flex time, home offices...That’s all the cream in the coffee. But you have to have the coffee.”

The insurance subsector is slightly ahead of other industries in terms of developing strategies that match business priorities, but has more work to do in terms of offering as good a mix of benefits and training. Insurance employees tend to be more critical of the learning and development opportunities available to them than respondents from other sectors; these workers are more likely to say they expect more feedback on their performance and more likely to prioritize furthering their education.

Unfortunately, many executives may not know these critical facts about their workforce, as less than one-third of respondents say they have the information they need from HR to make business decisions. But the high level of employee interest in training and development means that executives have a major opportunity to both increase worker performance and engender loyalty by developing opportunities that take advantage of this desire.
Fostering a learning culture

A strong learning and development culture has the power to make employees more engaged and productive while building a company’s intellectual capital and creating its next generation of leaders. But finance firms have far to go in this critical area. According to employees and executives alike, most banks and insurers have not successfully created a culture of continuous learning, and executives are not making development opportunities widely available or offering as many mentoring or training programs as employees would like.

Employees of financial services firms are slightly more critical of their bosses than employees in other industries when it comes to both feedback and development opportunities. Finance employees are slightly less likely to say their company is able to retain, update, and share institutional knowledge (36%, compared with 41% of employees in other industries); they are also slightly less likely to say their company is able to give them the training they need. And while this points to a gap in capabilities for the industry, it could also reflect a greater interest in learning and development opportunities among these workers—a huge opportunity that companies cannot afford to miss. Insurance workers in particular are more likely to value learning opportunities: nearly half (47%) say supplemental training programs are an important benefit, compared with 44% in other industries.

Companies must consider the range of development opportunities they offer, especially as the range of necessary skills evolves and expands, and employees become more concerned with their own obsolescence. While finding workers with the right specialized skills is challenging, finance firms must also consider the need for soft skills when hiring and training workers. Constant interaction with customers and clients means that in addition to the education and training necessary to do the required daily tasks, employees must have the creativity and communication abilities necessary to represent the company well.

Financial services firms need to upgrade training and development opportunities and approach these issues at a systemic level, which may include a particular focus on Millennials in the workplace. Lincoln Financial runs a leadership development program with a strong emphasis on learning and development for younger workers. “On a conscious basis, we’re trying to bring young Millennials into the organization,” says Mr. Murphy. “We’re giving them exposure to meaningful roles. Through the program, they get two different business experiences, and we strongly encourage them to take on a mix of roles so that they can get staff, operational, and business experience.”

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I expect more feedback on my performance than I currently receive.
An assigned mentor would increase my loyalty and engagement with my current job.
My company is able to give me the training I need.
Conclusion

As businesses of all kinds face increasing pressure to compete for top talent across a wider skill set and a broader range of countries than ever before, there is a need for companies to develop stronger, more data- and evidence-driven workforce strategies. Our research shows that financial services firms have far to go in meeting their HR goals, but their established position as a leader among other industries puts them at an advantage—one they must act decisively to seize.

Meeting these goals starts with a strong vision across the enterprise. “Every leader, starting with the president, is responsible for bringing talent and organizational development to life,” says Alexey Mekhonoshin, vice president of HR at Russia’s Sberbank. To turn these visions to reality, finance firms must offer the training programs that employees need and desire, for both hard and soft skills, and focus on turning today’s employees into tomorrow’s executives.

To learn more details about this study, please visit us at www.successfactors.com/workforce2020

About the research

Oxford Economics, working with SAP, fielded two major surveys in the second quarter of 2014, reaching out to over 2,700 executives and more than 2,700 employees at companies in the following 27 countries: Australia, Brazil, Canada, Chile, China, Colombia, Czech Republic, Denmark, France, Germany, India, Japan, Kenya, Malaysia, Mexico, Netherlands, Poland, Russia, Saudi Arabia, South Africa, Spain, Sweden, Switzerland, Turkey, the United Arab Emirates, the United Kingdom, and the United States.

Executive respondents are C-level and direct reports, with over half having responsibility for HR. Employee respondents are front-line employees (39%), mid-level managers (42%), and line-of-business managers (18%). Respondents come from a range of industries and company sizes.

Interviews were conducted with executives from each country surveyed, providing critical qualitative support to our survey findings.