

Deloitte.



People in payments

The need for talent transformation
in financial services

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The need for talent transformation in financial services

While the talent strategy of any institution is critically important, for most financial institutions the business and technical aspects of transformation have traditionally trumped evolving talent considerations. As a result, action on the people side of payments modernization here in Canada is lagging.



Introduction

Canada's historically stable financial system is especially ripe for change during this era of widespread disruption. Take, for instance, payments modernization, which is underway.

Ecosystem players from coast to coast are rallying together to face the uncertainties that payments modernization is raising as Canada aspires to deliver on the bold ambition of modernizing its national payments infrastructure. Transforming the payments system is one of the financial services industry's leading priorities, and is set to change the way Canadian financial institutions operate. The envisioned end-state of modernization initiatives promises to drive significant evolutionary impact across the Canadian payments environment, forging tighter connectivity among institutions for faster, more secure, and informed products and services. The implications of these motivations demand that fundamental changes be made to existing business models, governance structures, and ecosystem relationships.

While the ambition is bold and the efforts required to deliver this program are significant, we can confirm there is a sense of urgency in getting this done—and that it is complex.

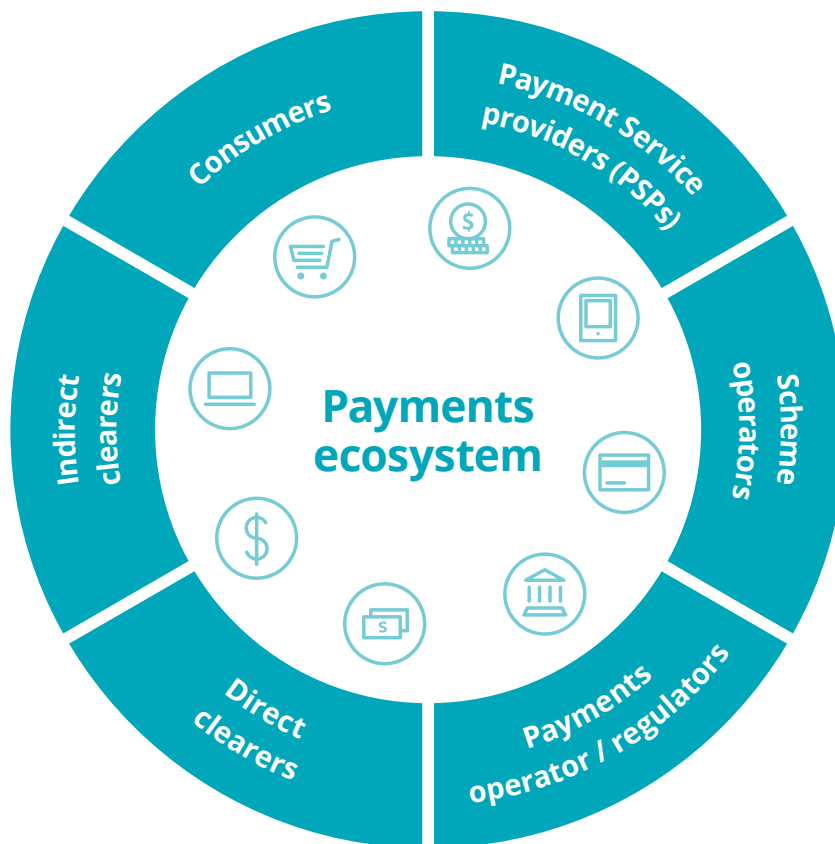
- **Urgency.** There has been no major change to Canadian investment in payments infrastructure since the 1980s. Legacy infrastructure is no longer meeting the needs of today's Canadian consumers and businesses, and there is risk of Canada lagging behind in terms of modernization compared with other jurisdictions globally (e.g., the United Kingdom, the United States, Australia). These factors have spurred a strong desire for change.
- **Complexity.** The magnitude and scale of this transformational effort, and the fact that a variety of changes are happening more or less simultaneously, is unprecedented, and requires system-wide and extensive collaboration. In addition, because payments infrastructure is essential to a functioning and prosperous economy, a level of risk-managed care and due diligence is required before decisions can be made.

We have observed that the combination of the urgency to move forward quickly and the complex nature of doing so may be the reason that less attention has been paid to evolving talent considerations. Using the trifecta of people, process, and technology, the “people side” of payments has likely not gotten its fair share of attention and investment. To mitigate any business risk that might arise over Canada's modernization longer term agenda, **we must focus on the talent situation now.**

A call to action for Canadian Payments Executives

We see the current situation as an opportunity for payments executives to take the lead during this transformation and, in doing so, shape the future of work for their institutions, and for the Canadian economy. To help support these deliberations, Deloitte conducted a study to better understand the nature of the problem and identify the talent strategies that will be critical to success.

This paper represents the start of a journey. Along with our evaluation of the current situation, we've included a framework to help leaders evaluate and address gaps in their current talent strategies and to identify opportunities for collaboration across the industry. Our objective is to start a conversation about how Canada's efforts to modernize payments are accelerating an equally significant talent transformation in financial services. In doing so, we aim to ignite the interest of the payments community to tackle the need to find tangible solutions.



The need for talent transformation in financial services

In line with journeys that have been undertaken in the United Kingdom, the United States, and Australia, Payments Canada is spearheading an ambitious agenda to transform legacy systems and keep pace with modernization initiatives taking place around the world.¹

While Canada's payments community is still navigating what the end state will look like, modernization will be a multi-year, multimillion-dollar investment in systems, structures, and networks, with no ecosystem player left untouched.² With payments modernization standing as a top of house business issue, over the next five years, each major Canadian financial institution will invest a significant amount of money and resources to deliver the end result.

What's more, payments modernization is taking place at a time of increased competitive pressures spurred by fintech, changing consumer preferences, skills shortages, and evolving ways of work. Further complicated by the predictions of an economic slowdown, these factors may both help and hinder Canadian financial institutions as they attempt to understand and execute their increasingly complex and urgent transformational agendas. In this new world of work ushered in by what the World Economic Forum has coined the Fourth Industrial Revolution, excelling at managing the ambiguity associated with industry transformation will become a critical condition for success.³ These factors help to contextualize the business case around the potential risk, and the urgency of focusing on the people side of payments now.

Did you know?

In Canada:



Our existing payments applications were designed in 1980s; they are aging, and becoming difficult to support.



Payments modernization is part of a broader global movement to transform legacy systems around the world.



Current modernization efforts represent the largest single investment that has ever been made in payments within Canada.



Over the next five years, the new system of payments products and services will be faster, safer, more informed, more efficient— ultimately, more ubiquitous.



It will become critical to the success of financial institutions to have the capabilities to excel at managing the ambiguity associated with industry transformation.



The current situation on people in payments: Challenges we've observed

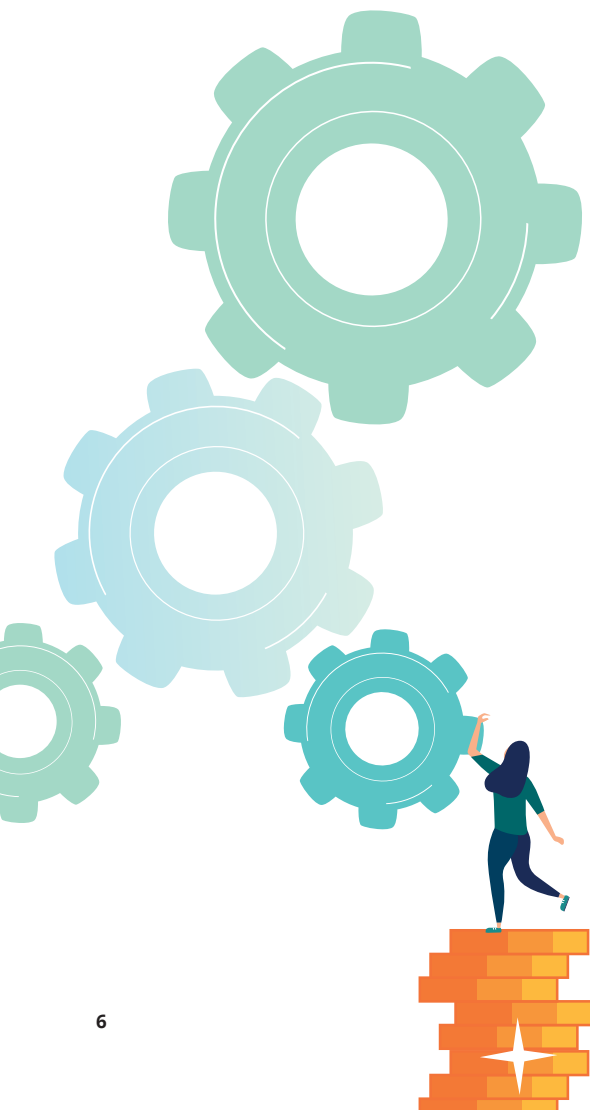
Based on our industry research, and validated by industry experts, we have uncovered five talent challenges that are putting the pace of payments modernization at risk.

1. The new operating environments established through payments modernization will demand skills and capabilities that are difficult to source and even harder to retain.

Canada's evolving payment environments require a steep and stable increase in different types of talent for new systems and structures. Payments professionals who have traditionally required only narrow expertise will need more cross-functional capabilities, and a combination of hard and soft skillsets. This specialist-versus-generalist debate is breaking down the siloed, specialized nature of legacy payment roles and is necessitating a more nuanced view of the recruitment and the organization of teams and structures. If institutions are going to engage and retain desired talent over the longer term, they not only must re-imagine the work that needs to get done, they must also reimagine how they will create lasting connections across a diverse set of talent.

2. The pool of talent in "traditional" payments circles is small and is further complicated by the fact that payments has not been sought after as a destination of choice.

Payments executives acknowledge that talent is too often a case of leveling-up, moving from one financial institution to the next, and that this is not a sustainable strategy. While the ability to source talent from global markets and other industries is recognized as necessary, this is limited by various factors. For one, there is competition from the variety of modernization efforts happening simultaneously across the globe. Also, there's no policy mandate from government that would allow financial institutions to access talent from other markets with fewer hurdles. And there are outdated assumptions about what it's like to work in payments. This all adds up to payments not having the brand appeal to attract new talent relative to global competitors, fintech, or large tech firms. Concern is growing about who Canada's payments leaders will pass the torch to in the coming years.



3. Talent challenges are compounded by the aging workforce, as well as evolving—and at times clashing—workplace needs.

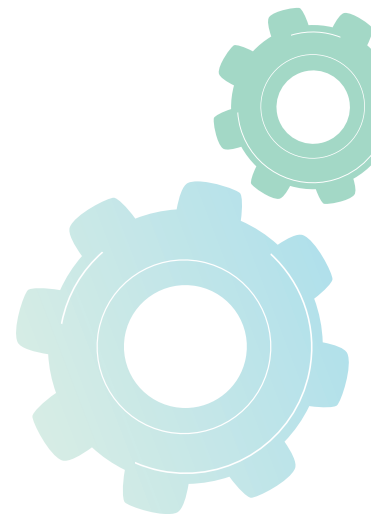
Today's payments professionals in areas like cash management, liquidity, and large value transfers have on the whole had long-tenured and focused careers. They are the keepers of the knowledge capital, and thus have made themselves relatively indispensable. Now that these individuals are nearing retirement, enhanced knowledge-management solutions and strategies to transfer crucial expertise to the next generation are in high demand. Opportunities to do so have been limited, due in large part to age differences (e.g., between baby boomers and millennials), and payments functions are operating with a void of seasoned people managers to support integration of cultural norms between the new talent and the old guard.

4. Firm-wide HR policies can make it difficult to take immediate action on evolving business needs, as the policies tend to be slow to adapt to changing marketplace demands.

The traditional ways and speed of recruiting payment professionals from other financial institutions isn't working; it won't sustain the increased demand for changed skills and capabilities within an increasingly competitive market. Existing HR policies regarding job levels, salary bands, and employment contracts are restricting the ability of payments executives to recruit and retain the right talent at the right time from a wider net of industries and geographies. Agility within functions of financial institutions needs to be addressed; it can drive even tighter coupling between lines of business and HR. It would support opportunities to move faster and to recruit differently (e.g., off-standard salary, benefits, and work arrangements)—and therefore be competitive.

5. The nature of stakeholder relationships is being redefined by the intense need for collaboration to solve ecosystem uncertainties and realize envisioned benefits.

While we are seeing more collaboration than ever before, both internally across institutions and externally between financial institutions and ecosystem players, it's not enough to move toward a new status quo. Collaboration will be a key to solving the problems associated with industry-wide transformations, and goes beyond conversations about systemic risk, governance, and new technologies. Traditional norms of engagement remain barriers to a balanced combination of the internal, external, and collaborative initiatives that will be required to achieve business objectives. Industry issues such as the above-mentioned talent challenges are ripe for ecosystem collaboration of some form.



Barriers to break down

These observed talent challenges are not exclusive to payments or to financial institutions, but the current situation in payments has been described as a once-in-a-lifetime opportunity to approach talent transformation differently. What amplifies this need is that payments modernization is too important to the Canadian economy to falter. With most of the work still on the horizon, getting talent transformation right needs to be the highest priority for payments executives.

Through our survey research and direct engagement with industry leaders, we have identified three primary barriers putting talent transformation within payments at risk:*

Action is not being taken fast enough and more of it is needed.

Preoccupying the hearts and minds of payments executives has been the volume of priorities to wade through in order to make decisions on how payments modernization will unfold. To date, precedence has been given to product development and technology, with initial debates on which systems will become the main medium, and how to act strategically to keep pace with internal and industry dynamics. Talent has largely taken a back seat to these conversations. Our findings reveal that most of the identified talent challenges are known conceptually. Yet too little action has been taken on talent to ensure the successful transformation of one of the largest undertakings by the industry to date. The gap between say and do means financial institutions are under-prepared to tackle the size and scale of change that payments modernization requires. They could miss the opportunity to become recognized as developers of the next generation of payments talent globally.

“It is on us to consider how we become the ‘farm team’ for payments talent globally. The next generation of payments talent can be from Canada.”

Susan Hawkins,
Head, Enterprise Payments, TD



Future talent needs are ill-defined or not yet known.

Current views on the talent needed today and the talent needed in the future are based largely on gut feel. Payments executives must invest time and resources to fully explore what tasks will and will not change due to modernization efforts, and where talent pools might exist. Only through such exploration can executives gather information to make an informed decision on how jobs may change, and how they will be fulfilled—e.g., by whom, from where, by when, and for how long. One specific barrier we observed is the tendency for financial institutions to put forward job descriptions that reflect a wish list for candidates to have the experience of an already established payments specialist and a broad set of leadership skills or generalist traits. These candidates do not exist, and institutions are likely deterring pools of candidates who might otherwise be qualified if the positions and work environments were marketed differently. Balancing demand for enhanced leadership skills with the need to develop the next generation of subject matter expertise will require new norms for attracting, engaging, and developing such leaders.

“The technology doesn’t matter if you don’t have the right people in place to take action. I’m increasingly concerned by the number of people retiring and the number of people not staying long enough to learn in their jobs.”

Mark O’Connell,
CEO, Interac

“We could become recognized as the talent leaders in payments globally, but we have a way to go.”

Kristy Duncan,
Founder and CEO, Women in Payments

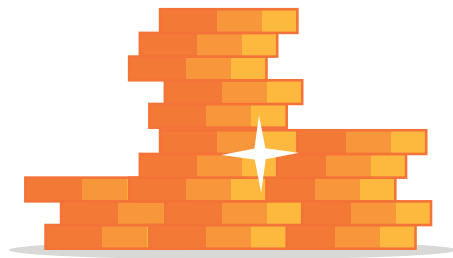


Institutions need a roadmap for where to start and how to deliver.

Transitioning to new talent models and ways of working requires a level of strategy, time and investment that has not yet been seen. It is also something that cannot be left to centralized functions or shared services. There are significant levels of indecision on how institutions will recruit and retain new types of talent, and important decisions must be made on whether the best method is to build or buy—and how best to approach either. Relying on traditional norms for talent acquisition and management will not meet the desired expectations of any one institution nor the ambitions of the payments modernization program for Canada's broader consumer and business community. There is a pressing need for financial institutions to get clear on their ambitions and prioritize design of their talent strategies to successfully deliver the expected transformation on time, on budget, and with the desired results. It will require a combination of sustained individual, ecosystem, and government interventions if Canada is to stand tall and solve its talent challenges—and in doing so, define the payments professional of the future.

“If we do what we’ve done traditionally, we’ll continue to get the outcomes we’ve had. We need to look forward and consider how we build our organizations to be established for another 150 years.”

John Cowan,
SVP Enterprise Payments, CIBC



Did you know?

Talent transformation in payments:



Talent is one of the **top three** concerns of payments leaders today



58% of payments leaders feel they have the talent they need to be successful



65% of payments leaders have included talent considerations as part of the planning



Recruiting ranks as the highest priority talent challenge for payments leaders today



The biggest concern for payments leaders over the next two to three years is **retention** of talent



46% of financial services employees believe their institutions are **adequately preparing for digital disruption**



The future of work for people in payments: The search for solutions

In light of the stories we've heard from the payments community, Deloitte's framework for how we think about the future of work can serve as a structure to help payments executives understand the factors influencing their talent needs and begin to take larger steps forward. The three components of this framework—the work, the workforce, and the workplace—can be used by organizations to test where they are today, and how far they might still need to go.

In exploring the future, we analyze three deeply integrated dimensions of any talent transformation:

Work

How the nature of work is changing to achieve new business goals, requiring new skills and capabilities given automation and augmentation



Workforce

Who can perform the work as it changes and how organizations can close skills gaps by tapping into alternative talent pools or upskilling

Workplace

Where the work can get done geographically and how we can maximize collaboration, productivity, and consistency with physical design and technologies



Work

What work is changing through technology augmentation, and what work outcomes will drive future value?

The nature of work in payments requires new skills and capabilities to handle technology-driven business transformation. Instead of isolated and insulated groups of payments professionals who perform the same role, new technologies will require individuals to figure out how payments platforms integrate with other areas in their financial institution and throughout the broader ecosystem. They will be elevated to work across service lines and organizational boundaries with other ecosystem players, leading to the new status quo that will be defined by an understanding of payments around a new set of tasks. A need to strike the right balance between specialists and generalists (e.g., payments specialists, people leaders, and business partners) will be a critical competency unlocking the ability to win in the future marketplace.



Workforce

Who can perform the work, and how can we close skills gaps by adopting alternative talent strategies?

Alternative talent models are needed for the next generation of payments professionals. While baby boomers value face-to-face interaction, millennials are comfortable with communicating virtually, are more likely to stay in a job for a shorter time, and are more likely to look for a workplace that is not just transactional but focuses on meaning and engagement.⁴ Financial institutions will need to close skills gaps by moving away from conventional career paths and sources of traditional talent profiles. From having a core of full-time employees, payments teams will need to become a combination of full-time employees alongside contractors, consultants, and gig workers. The payments professionals of the future will require personalized employment situations and be comprised of a variety of backgrounds, experiences, and capabilities, creating a workforce that is in every way more diverse and inclusive for the betterment of professional payment communities.



Workplace

Where can the work get done geographically, and how can we maximize desired interactions with physical design and collaborative technologies?

Savvy payments executives will think about workplace design as a means to enable their talent through technology. Maximizing collaboration, productivity, and consistency with physical design and technologies in the face of outdated, tired bureaucratic spaces, policies, and procedures is key. So too is executive buy-in as the traditional model of computer equipment clustered in one location moves to adaptable networks of teams dispersed across business units, with both off- and on-premise locations, and different geographies. New challenges will emerge as teams begin to make and experience these shifts. Organizational culture will need to be elevated, with new strategies and focus applied to instill common values and tight-knit relationships across workplaces, workforces, and the work itself.

In light of our observations on the current situation of people in payments, payments executives can take a number of immediate actions to move forward with the talent transformation required for Canada's modernization agenda that lies ahead.



Looking forward

Payments executives in Canada can act now to:

1 Ignite the curiosity of others and get their attention.

The challenge is here and now. Acknowledging this with a sense of urgency will help secure buy-in from top decision-makers to take action. Clearing the critical talent hurdle will require investment across public and private actors to break down observed barriers.

2 Challenge traditional norms for how work gets done.

Take the time to zoom out and explore how the work itself in payments is changing. Investment in this exercise is crucial in shaping the payments professional of the future. As this gets done, payments executives should take the time to engage their teams, across levels and generations, to assess tasks, talent, and environments.

3 Get competitive when hiring and retaining.

Moving beyond traditional compensation models is essential to attracting sought-after talent from alternative, lucrative opportunities, such as technology companies across global markets. That said, managing for only a spike is shortsighted, and financial compensation has its limitations. A sustained solution for talent management requires a longer-term view and new approaches to engagement.

4 Double down on development.

Building the payments professional of the future will require a longer-run focus that is based on more than ROI and a short-run (fiscal year) view. Prioritizing reskilling and upskilling to build a wider, deeper pool of talent will require industry collaborations (e.g., through secondments or internships) to create unique cross-skilling and knowledge-transfer opportunities. No one institution will be able to satisfy the appetite for learning.

5 Elevate payments to become a sought-after career destination of choice.

To bring talent into payments, leaders will have to recraft roles as once-in-a-lifetime opportunities—a chance to drive innovation, shape the future of an industry, and make a material impact on the Canadian economy. Payments leaders have the opportunity to lead in the creation of work and workplaces that are purpose-driven, with the potential to build Canada's brand as one that's recognized globally for its caliber of skills, capabilities, and new innovations.

6 Look outside traditional networks.

Payments executives should branch out beyond their common communities, and convince others to become industry shapers (e.g., colleges and universities, community programming, etc.). To do this, there will be a need for more education and ecosystem partnerships to create "payments champions" across teams and channels to improve awareness and make others take notice.

7 Engage subject-matter experts.

Employees on the cusp of retirement hold considerable legacy knowledge and can serve as an essential fulcrum between traditional and new ways of working. Payments executives should consider engaging their long-standing employees as influencers, whether as part-time, contract, or gig workers, to aid in the transfer of knowledge to the institution's younger generations. Emerging role profiles will prioritize mentorship, in addition to other attributes, as a key responsibility for creating a bench of transition leaders.

8 Cultivate a collaborative culture.

Authenticity builds trust and leads to candour. Payments executives should strive to create a value system built on strong and transparent interactions—with everyone. The same is true for industry relationships. At stake is Canada's role on the global stage, and the needs of consumers and businesses. Whenever possible, more stakeholders should be brought to the table, even those who might not previously have been considered. The ability to do things differently as industry players come together to build the payments system of the future will be essential to Canada realizing its full potential.

What's next?

The competitiveness of any financial institution depends on a well-executed talent strategy, with people management being a strategic advantage when addressing industry-wide transformational change and competitive pressures. We see payments modernization as an opportunity for payments executives to be trailblazers. It's a chance to redefine the future of work for this segment of the industry—with lessons learned to benefit the broader industry and the Canadian economy over the longer term. **Let's get to work.**



Contacts

To learn more about Deloitte's payments practice and future of work offerings please contact:



Todd Roberts

Partner
Canadian Payments Leader
416-202-2602
toddroberts@deloitte.ca



Catherine Parsons Dhamija

Partner
Human Capital Consulting
416-775-7246
cparsonsdhamija@deloitte.ca



Soumak Chatterjee

Partner
Payments Modernization Leader
416-601-4495
schatterjee@deloitte.ca



Courtney Kidd Chubb

Senior Manager
Human Capital Consulting
416-202-2231
ckidd@deloitte.ca

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To all round table and panel participants



Endnotes

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