

# Talent Challenges in FSI

## Designing responsive solutions through workforce analytics

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The Financial Services Industry (FSI) is going through turbulent times. Leaders are striving to restore their profitability and brand status while being forced to reinvent their business to face up to structural changes in the external environment.

In this context, having the ability to both reduce costs and attract and engage talent critical to their core business is not only a key strategic requirement but is also a source of competitive advantage. The time to prepare for future challenges is now. Despite this, talent management programmes too often fail to demonstrate why they are required and how they can generate a return on investment. This is a cause for concern as talent is a vital component of an organisation's adaptability and future growth. Workforce analytics that investigate current and future talent challenges can provide assistance for designing responsive talent solutions that have an impact on the bottom line.

### **Talent is critical to enable and drive strategic change**

Today's executives are struggling to find the appropriate balance between cutting and managing costs while investing in and developing new markets to remain competitive. In addition, structural changes in their environment are gradually calling their historical strengths into question. Indeed, the economic environment and regulatory pressure are forcing them to open up to new and global markets as well as to shift their strategic priorities to new client segments and distribution channels: FSI has moved into a new business world.



FSI organisations have embarked upon a transformative journey to adapt their service offering and operating models to the 'new normal' and prepare for future growth. During this period of strategic change, talent management is critical to ensuring that the organisation has the right people, in the right place, at the right time and at the right cost to deliver on the strategy. As firms are increasingly competing on knowledge and intangible assets<sup>1</sup>, the ability to attract and engage critical skills is also becoming a source of competitive advantage and should be a central strategic priority.

In addition, companies will need talents with adaptive and proactive minds to enable and drive strategic change within the organisation. In a period of constant change and uncertainty, organisations need to be:

- *Adaptive*: they should be able to modify or remodel and adjust their actions for a different purpose.
- *Pro-active*: 'A plan never comes together'; therefore, firms must be able to prepare for, intervene in, and control unexpected situations. They need to anticipate obstacles.
- *Responsive*: Being responsive and reacting quickly can make all the difference.

To face up to these new requirements, companies will need to review their traditional ways of approaching talent management.

This change will require even more effort and investment from a financial industry facing tough challenges in the talent arena, with change in social attitudes strongly impacting its reputation and attractiveness.

Indeed, banking is a less popular career choice today than in 2008<sup>2</sup>, with remuneration practices coming under increasing regulation in the banking and investment management sectors. In other words, companies need a valuable talent management strategy that can develop their attractiveness and compensation structures that are in line with the rest of the market.

Moreover, talent management will also help organisations that must overcome key people challenges to ensure their sustainability.

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**FSI organisations need to re-skill their employees in order to satisfy more demanding clients, adapt to quickly evolving and complex products as well as to develop new markets**

<sup>1</sup> *Disrupting the CHRO: Following in the CFO's footsteps*, Deloitte University press, January 2014  
<sup>2</sup> *Generation why? Attracting the bankers of the future*, Deloitte Talent in Banking Survey 2013

### Talent Management is required to overcome talent challenges in FSI

Adaptive and responsive talent management is required for FSI organisations to address three main people challenges: (1) new skills are needed to adapt to the new business world; (2) handover planning and knowledge transition are required to anticipate changes relating to workforce demographics and expectations; finally, (3) organisational restructuring is needed to face up to changing business requirements and strategies.

#### Need for new skills

FSI organisations need to re-skill their employees in order to satisfy more demanding clients, adapt to quickly evolving and complex products as well as to develop new markets.

For example, private banks are increasingly focusing on (ultra) high net worth individuals and emerging markets as future areas for growth. Clients are also asking for bankers who have deeper technical knowledge of portfolios of products and services. Meanwhile, insurers are finding themselves in need of more highly-skilled individuals to handle the advanced data analytics and predictive models being deployed throughout their operations. The whole FSI industry also needs new skills to comply with increasingly complex regulatory and financial reporting requirements.

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**FSI organisations have embarked upon a transformative journey to adapt their service offering and operating models to the 'new normal' and prepare for future growth**

As a result, despite high unemployment rates, many bankers, insurers and investment managers are finding it very difficult to fill critical positions requiring specific skills at a reasonable cost. In this context, a well thought-out talent management approach can help organisations anticipate their needs and therefore quickly align talent acquisition and development actions with strategic objectives.

#### Handover planning and knowledge transition

While looking for new skills, companies are also struggling to retain their existing ones due to a combination of workforce demographics and retention challenges. Current workforce demographics create significant challenges in terms of handover planning and knowledge transition. When experienced employees retire, firms face a significant risk of losing a wealth of knowledge and skills. Meanwhile, new generations are entering the workforce and moving into management positions. Companies must find an effective way facilitating this transition.

In addition, the financial sector is becoming less attractive for younger generations of workers and is facing a retention issue. Companies need to restore their employer brand and quickly find new solutions to attract and retain talents. This also involves adapting to the needs and expectations of a new generation of around 2.3 billion active workers<sup>3</sup>.

Forward-looking talent management therefore becomes crucial for helping executives anticipate future changes and also contributes to the organisation's sustainability.

<sup>3</sup> *All work and all play*, Box1824, 2013

<sup>4</sup> *Talent Edge 2020: Blueprints for the new normal*, Deloitte University Press, 2011

<sup>5</sup> *Op. cit.*

### Organisational restructuring

Economic downturns lead to organisational restructuring. Shareholders put pressure on costs, leading to outsourcing or offshoring of certain activities to markets with lower labour costs. In this context, organisations are cutting employee numbers and programmes or initiatives that cannot show a clear return on investment.

Although business leaders recognise their importance, talent management programmes are too often considered as pure cost and abandoned as organisations fail to demonstrate their direct return on investment. Indeed, in 2011, only 6% of FSI executives ranked *'acquiring and developing leaders and talent'* as a key priority compared to 27% across all industries and 25% of FSI executives in 2009<sup>4</sup>.

Therefore, FSI executives must find a way to demonstrate the ROI of developing and implementing talent management programmes and turn them into a strategic source of competitive advantage.

### How workforce analytics can provide assistance for designing efficient talent solutions

Why is workforce planning analytics key to building efficient talent solutions? The answer can be summarised as follows: 'One size does not fit all!'

In fact, each organisation faces different choices depending on its size, market and contingencies. In a complex and rapidly changing environment, organisations cannot rely on standard models alone when addressing their talent challenges; they need to develop a deep understanding of their business issues and root causes to take focused actions and monitor their outcomes. Deloitte research<sup>5</sup> shows that, in the financial industry in particular, the top talent management programmes rely on metrics.





#### **What is workforce planning and analytics?**

Analytics is the discipline of turning data into information and finding relevant and useful insights from that information to drive business strategy. Workforce analytics focuses on the people side as a main area of decision. It helps executives and talent managers to make decisions more accurately, objectively and economically. Indeed, research shows that the most mature companies in terms of talent analytics are the highest performing companies in terms of shareholder value<sup>6</sup>. Moreover, workforce analytics can help executives and talent managers to create a business case for talent programmes.

Workforce planning is a specific application of workforce analytics which is particularly relevant to addressing the current talent challenges of the financial sector. It is the process of monitoring, estimating and forecasting talent requirements to achieve business objectives. Put simply, a workforce planning approach enables informed and proactive decisions regarding the company's 'build, buy, borrow' strategy.

It focuses on answering the following business questions:

- Which critical skills will be required within the next 3-5 years to implement our strategy and what is our action plan for attracting, retaining or developing them?
- How can we guarantee knowledge retention when people are retiring or leaving due to workforce reduction plans?
- How can our company remain attractive and maintain employee engagement in a multi-generational and post-financial crisis employment market?
- How can we ensure that our workforce is of an appropriate size in the context of our strategic reorganisation programmes?
- Which leaders will we need in the future and how should we start to develop them now?

The implementation of a workforce planning capability is very often seen as too complex and consequently not considered to be a priority. Although it is not an easy journey, it is becoming an increasingly important requirement in the era of 'Big Data' and can be facilitated via a structured and focused approach.

<sup>6</sup> *The datatification of HR, Deloitte University Press, January 2014*

**Figure 1: talent analytics maturity model**



Note: Percentages indicate the proportion of the 480 surveyed organisations performing talent analytics at each maturity level

Source: The datatification of HR, Deloitte University Press, January 2014

### Designing an efficient workforce analytics approach

Organisations should first understand where they stand in terms of talent analytics capability and then decide their target maturity level (see figure 1): the greater the level of talent analytics sophistication, the higher the strategic alignment.

To maintain efficiency and strategic alignment, workforce planning should be focused on critical business issues and key workforce segments and structured around a top-down approach in accordance with the following steps:

- Start with the business objectives and related critical workforce issues. Focus on workforce segments with the highest impact on company strategy and whose skills are difficult to replace.
- Understand the information and data required. Look for any present and historical, internal and external as well as quantitative and qualitative data that might be relevant for plotting the trends of workforce supply and demand.
- Glean insights from the data. Analyse data objectively and check your understanding to avoid misinterpretation. Analytical tools may be required to build scenarios with a high volume of diverse data.

- Turn insight gained into informed decisions and an action plan. Understand the key workforce gaps and challenges that you will face in the future and decide on an action plan to address them.
- Evaluate the outcomes of your actions and improve analyses and plans accordingly. Workforce planning is a continuous process and involves a progressive implementation and learning approach.

### It is time to grasp the importance of talent analytics

As highlighted above, organisations have yet to grasp the strategic importance of talent management and demonstrate its return on investment. The best business strategies cannot be put into action without talents. In particular, the financial industry is facing such challenges in terms of future market positioning, search for competitive advantages and talent acquisition and engagement that it would be unrealistic not to consider talent as a strategic driver and invest accordingly.

We believe decision makers should consider workforce planning and analytics to be a key enabler in their strategic change journey. The ability to rely on numbers and facts and to tailor the approach to the specific features of each organisation facilitates the design of the most adaptive and responsive talent solutions.

Organisations must start building their workforce analytics capabilities today, so that they are prepared for the challenges of tomorrow.