

Financial Services

Keep the human in Human Capital and thrive in a VUCA world



The rapid speed of change in business is no state secret. Military planners, amongst others refer to the current environment as VUCA. In this context **v**olatility, **u**ncertainty, **c**omplexity and **a**mbiguity change the dynamics of engagement, and in Financial Services disruptors are intensifying, requiring a decisive focus on Human Capital.

In business, VUCA underscores the importance of sense-making, analytical astuteness, readiness planning, risk management, and situational problem-solving. Banks, insurers, asset and investment managers face unrelenting change. Regulation and risk is far-reaching and never before, has technology become so disruptive, so exponential, so quickly.

The Financial Services industry deals with added pressure as competitors emerge from non-traditional sectors, and global players not only enter but become entrenched in the local market.

Consistent evolution

There have been a number of noteworthy changes in the Financial Services Industry over the years, which has resulted in organisations operating in this industry to really push to remain relevant. The Financial Services Industry is by nature, far from simple and rather complex. Large, bureaucratic organisations sometimes find it difficult to respond to all of these competing demands. Simplification of services and processes has tended to be the foreseen utopia as organisations grapple with providing convenience, choice and transparency to customers.

In a consistently changing environment, organisations need to futureproof themselves; to have a more-than-significant impact on people, both employees and customers. In order to survive they need to be agile and flexible. They need to step away from traditional paradigms around managing people, and focus on how to mobilise themselves towards organisational success.

Leadership priority

As a critical starting point, people need to be lead through change effectively, which can be done using tools such as "People Adoption". This is a deliberate process that enables employees to understand the reasons for change, grasp expected results, how this change will impact them, how they will benefit from it and what they need to do today to sustain it.

An approach such as this to change management ushers in an incremental change in behaviour, which can then gain momentum. It enables organisational alignment, acceleration of people adoption and sustaining of change in programmes which are intended to transform organisations, functions or business processes.

Inherently linked to Human Capital success, leadership needs to set the tone at the top while grooming future leaders. Leadership needs today are far broader and deeper than merely developing the next Chief Executive or even building the C-suite pipeline. The fact is that companies face leadership gaps at every level. The Board of Directors are now paying attention to leadership succession at operational levels in the organisation. These gaps can only be filled through a sustained and systemic commitment to leadership development that identifies potential leaders earlier, brings young leaders online faster, develops senior leaders later in their careers and keeps them on the job longer.



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Risk navigation

Risk management will continue to play a pivotal role in a VUCA world. In managing risk effectively it is important to understand what drives behaviours around effective and sustainable management of risk. For one, cultural misalignment plays a large role in organisational failure as an organisation's culture determines how it manages risk when under stress. For some organisations, a risk culture is a liability, while for others it facilitates stability and a competitive advantage.

One of the more intensive challenges facing the Financial Services Industry in a VUCA world is how to derive value from the hurdles of regulation. Leading organisations, both globally and in South Africa, are seeing regulatory change as an area for competitive advantage. This means that an organisation needs to understand the rationale behind regulation, how regulation can become an opportunity in the business and how to position it as such to key stakeholders.

The Human Resources (HR) function is the critical cog to successfully navigate VUCA. During times of rapidly changing economics, HR faces a stark choice. It can either evolve and make a significant contribution or diminish and disappear. In South Africa, the Business Partnering Model has been seen as key to accelerating the evolution of this function. Most organisations however have, and continue to struggle to understand how HR Business Partners should contribute to the business. This in itself is a hurdle needing to be cleared, and fast.

There is much to gain from getting fit for VUCA. Not purely survival, but the ability to thrive through continual reinvention of business. Yet there will be no reinvention, no success, unless we prioritise Human Capital. Financial services players must provide their people with the starting blocks for both a personal and collective competitive advantage. In a morphing sector such as this, it is only by making disruption work for the whole by making it work for individuals, that change can be consistently mastered.

Human capital

1. How will you lead your people through change effectively?
2. How will you derive value from the hurdles of regulation that you are faced with?
3. How will you make sure you have the most capable people in your organisation?
4. How will you set the tone at the top?
5. How will your people make or break your expansion into new territories?
6. How will you get your HR function to lead you through a VUCA world?

