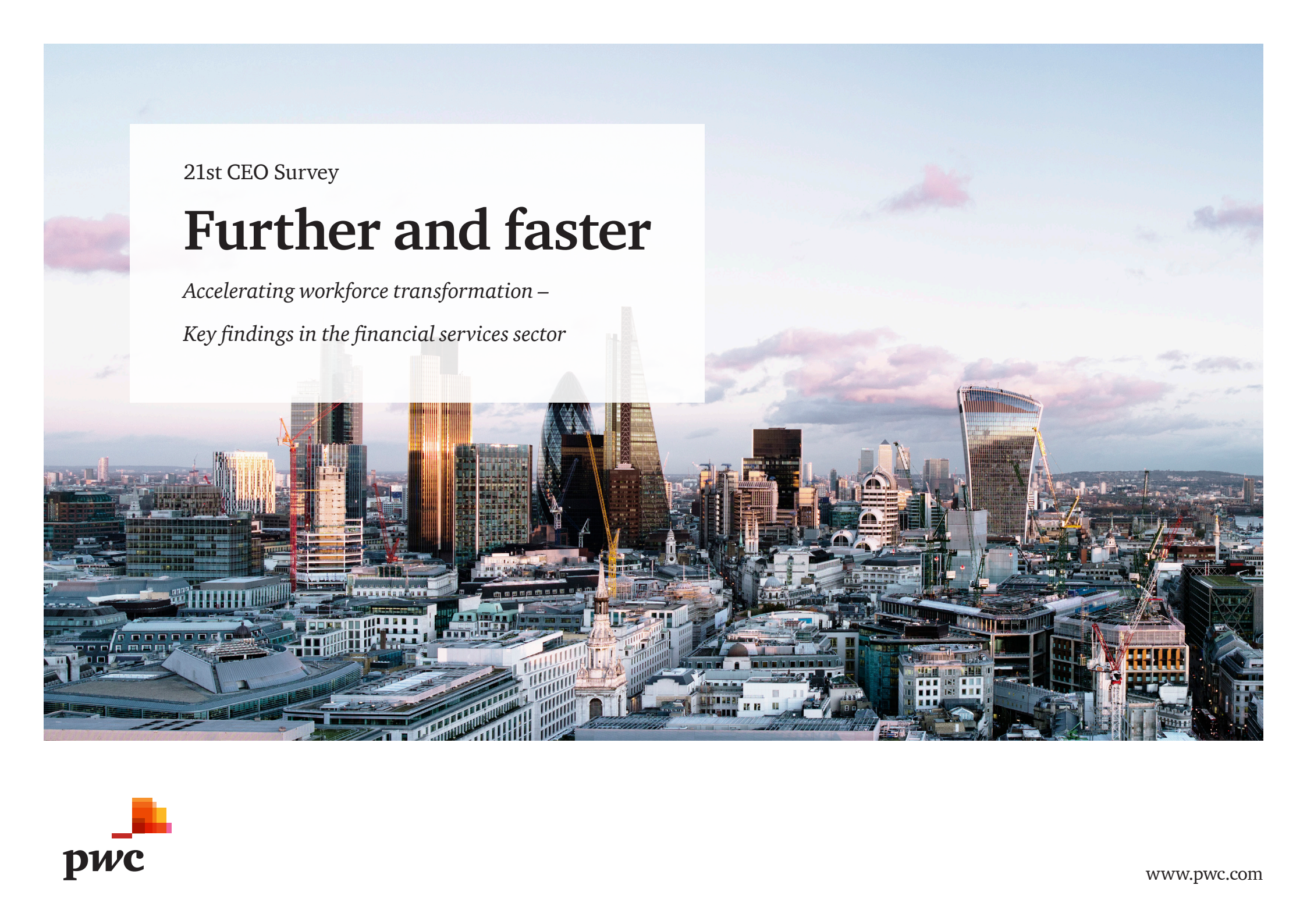




21st CEO Survey

Further and faster

Accelerating workforce transformation –

Key findings in the financial services sector

Introduction



A person in silhouette is sitting in a red chair, looking out of a large window at a city skyline. The window is divided into several panes, and the view outside shows a dense urban environment with many buildings. The lighting is soft, suggesting an overcast day or early morning/late afternoon. The person's head is turned slightly to the left, looking out the window. A small, clear plastic trash can with a white liner is on the floor near the window.

Is your workforce fit for the future?

Keeping pace with digital transformation is as much about talent as technology – people, rather than systems, drive innovation and realise its full commercial potential. Workforce pressures are heightened by the disruptive impact of cost constraints, regulatory change, competition from new entrants and the overhaul of business models.

The big risk is in underestimating how far the rethinking of talent strategies and workforce planning needs to go to keep your company competitive in today's fast-changing marketplace, or in responding too slowly.

Drawing on the findings from PwC's 21st CEO Survey and our wide-ranging work with clients, this report looks at how financial services (FS) organisations are shaping their workforce strategies for the digital age, the challenges FS organisations face and how they can get up to speed.



Five reasons workforce transformation needs to go further and faster

76%

of BCM leaders expect technological changes to be very or somewhat disruptive over the next five years.

1 FS organisations are struggling to keep pace with digital transformation

FS is at the epicentre of disruption. When asked how disruptive they think technological changes (e.g., artificial intelligence, robotics and blockchain) will be for their organisations over the next five years, insurance CEOs and banking and capital markets (BCM) CEOs see more upheaval ahead than business leaders from any other industries. Eighty-two percent of insurance chiefs and 76% of BCM leaders expect changes to be very or somewhat disruptive. Asset and wealth management (AWM) CEOs are not far behind, with 70% saying the impact will be very or somewhat disruptive.

As digital transformation drives innovation and reshapes customer expectations, it creates huge opportunities to fire up productivity, profitability and growth. Yet, many FS organisations are behind the curve, owing to challenges ranging from labouring under the deadweight of legacy systems to difficulties of making major changes within a highly regulated industry. More insurance CEOs (85%) and BCM CEOs (85%) are concerned about how the speed of technological change will affect their growth prospects than any other industry. Among FS leaders as a whole (including AWM), 81% are worried about the pace of change.

2 Recruitment and skills development strategies are failing to deliver the necessary capabilities

As transformation gathers pace, demand for data analysts, robotics engineers and a variety of other tech specialists is on the rise. It's also important for companies to strengthen digital capabilities within their existing workforce in areas ranging from data-driven decision making to the ability to recognise and harness opportunities for innovation. Yet, strategies to build, buy or hire the necessary capabilities are falling short.

FS CEO concerns about skills shortages have increased significantly in the last five years (see Exhibit 1). Digital skills present a particular challenge. Three-quarters of FS CEOs are concerned about shortages of digital skills within the industry (75%) and within their workforce (76%). More insurance CEOs are worried about these shortages than any other industry in the survey.

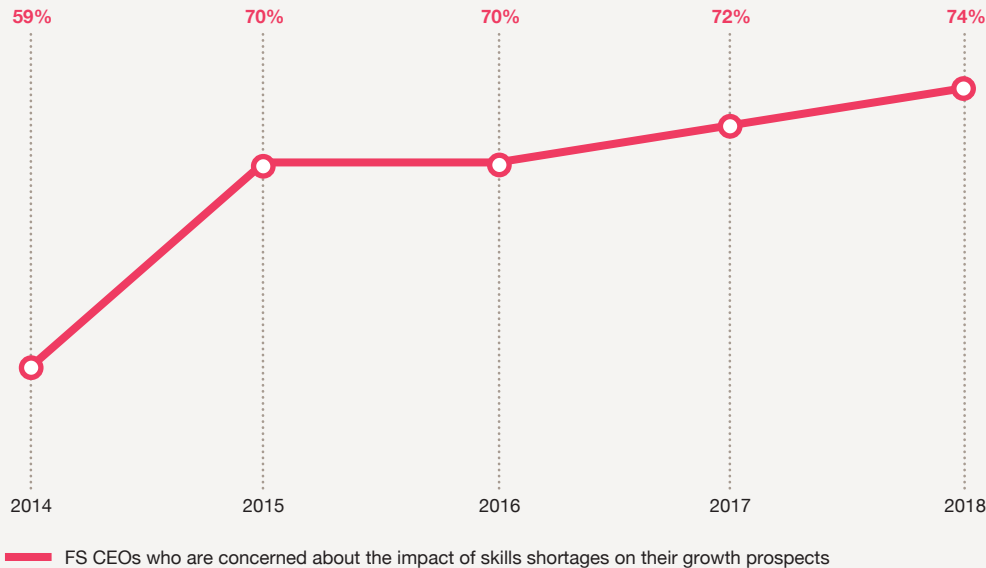
And it isn't just digital skills that are in demand, but also the creativity and emotional intelligence needed to innovate and connect with customers – 91% of FS CEOs believe they need to strengthen soft skills in their organisation alongside digital skills (see Exhibit 2).

75%

of FS CEOs are concerned about shortages of digital skills within the industry.

Exhibit 1: CEOs are increasingly concerned about skills shortages

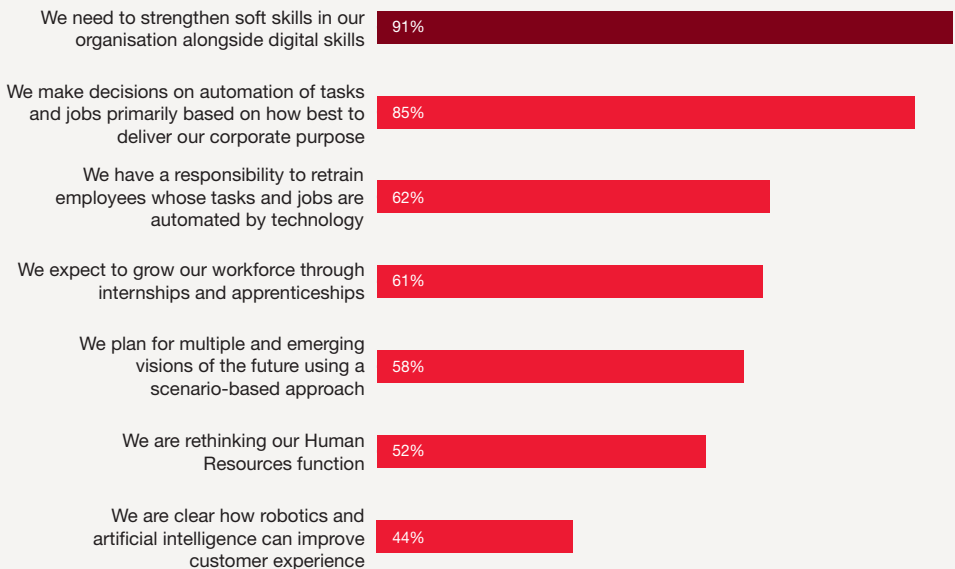
Q: How concerned are you about the availability of key skills to your organisation's growth prospects?



Base: Financial services respondents
Source: PwC, 21st Annual Global CEO Survey

Exhibit 2: CEOs recognise the need for soft and digital skills

Q: Thinking about your people strategy for the digital age, how strongly do you agree or disagree with the following statements? FS CEOs stating 'agree' and 'strongly agree'



Base: Financial services respondents
Source: PwC, 21st Annual Global CEO Survey

85%

of FS CEOs see promoting diversity and inclusion as a priority.

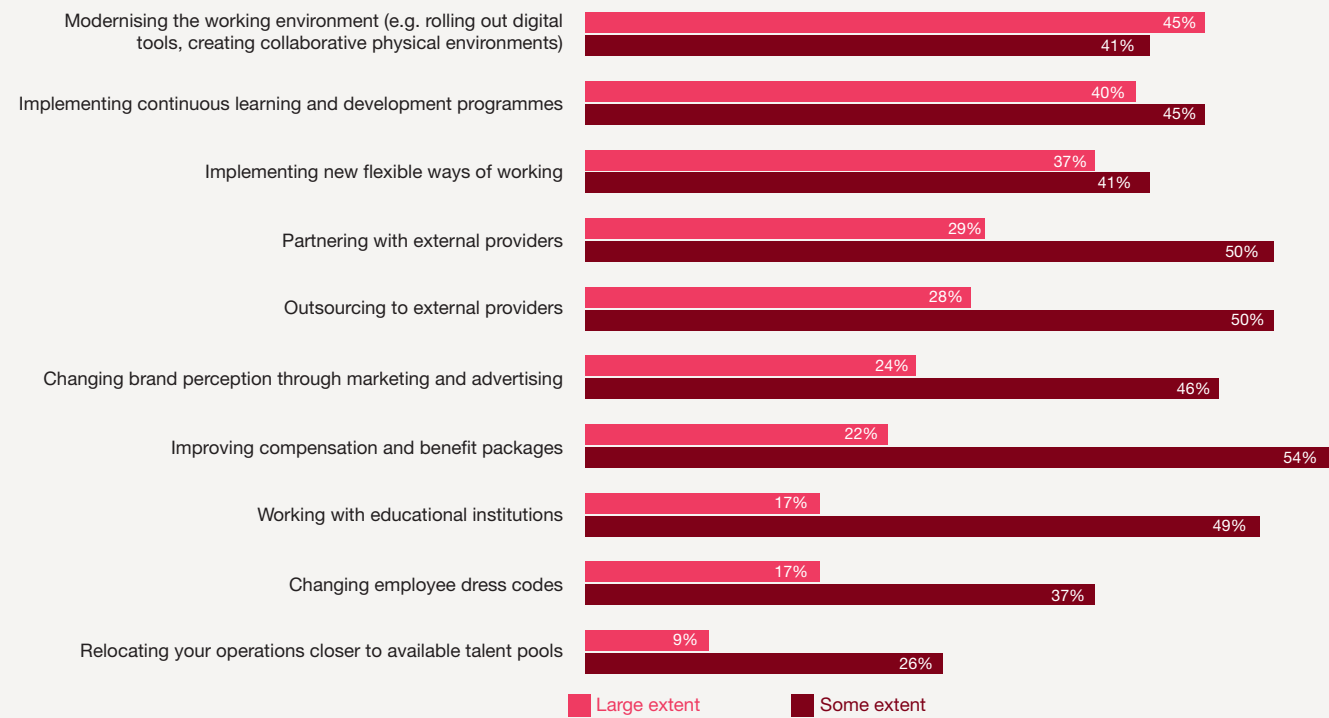
3 Broadening the talent pool calls for new ways of working, a boost to diversity and inclusion, and an update of your employer brand

Many of the people with the skills you need to attract – emotional intelligence as well as digital – might not have considered a career in FS. Pay alone won't attract people who may be put off by the image of FS.

Steps being taken by FS organisations to broaden their talent appeal include seeking to change their brand perception, modernising the working environment and offering flexible working arrangements (see Exhibit 3).

Exhibit 3: Strategies for accessing digital talent

Q: To what extent is your organisation using the following strategies to attract or develop digital skills?



Base: Financial services respondents
Source: PwC, 21st Annual Global CEO Survey

As our 2017 CEO Survey highlighted, parallel steps include promoting diversity and inclusion (85% of FS CEOs citing this as a priority). Yet in a sector in which women and people from ethnic minority communities are still underrepresented in senior management, a lot of key talent remains to be persuaded that they can forge a successful career in FS.

For example, more than half of the 290 women from FS who took part in **PwC's 2018 International Women's Day Survey** believe that an employee's diversity status (gender, ethnicity, age, etc.) can be a barrier to career progression in their organisation. More than half also believe that opting to work flexibly, which is one of the prominent strategies to attract and develop digital skills, could damage their career prospects.

4 The move to virtual teams and increasing need for collaboration between humans and machines calls for a new organisational model

Just as digital transformation calls for a new operating model, its impact on customer expectations and talent deployment demand a rethinking of organisational models. This includes how the workforce interacts with technology and how employees collaborate with one another, especially as so many now work remotely, on a contingent basis or within third-party organisations (e.g., with FinTech partners).

Taking on staff: *Despite fears that robots are taking people's jobs, more than half of FS organisations plan to increase their headcount over the coming year, and 30% expect to keep numbers the same. Only 19% plan to cut staff numbers. Sectors vary, however, with 24% of BCM and insurance CEOs planning to reduce their headcounts, compared to only 10% of AWM CEOs.*

Key questions include, how does an FS organisation develop the customer intimacy, customer intelligence and speed of response that are the hallmarks of online retail businesses? Are current missions and ways of working still relevant when the business is becoming as much of a technology company as a traditional FS business? And this is just the first stage of a much bigger shake-up ahead as the **collaboration between humans and 'thinking machines'** opens the way for new business models.

The survey findings highlight how much more needs to be done to make this model work and deliver for customers and business. When thinking about their people strategy for the digital age, for example, less than half of FS CEOs are clear about how robotics and artificial intelligence (AI) can improve customer experience (44%) and only 10% are very clear.

What will be the impact of automation and AI on workforce numbers? PwC research shows that FS is likely to be at the **forefront of the initial wave of automation**, reflecting both the high level of investment in robotic process automation (RPA) and the data-driven nature of many industry activities. Of the 19% of FS CEOs who plan to decrease headcount, 33% say this is to a large extent the result of automation and other technologies, and 52% to some extent. Yet, as humans and machines collaborate more closely, there are opportunities to augment decision making and open new sources of value creation. As these opportunities materialise, the longer-term impact of automation and AI on job numbers could therefore be lower in FS than in sectors such as retail and manufacturing.

51%

of FS CEOs plan to increase headcount over the next 12 months

5 Workforce transformation is a trust issue

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Customer and employee trust are central to the success of digital transformation. Without trust, customers won't share precious data and will take business elsewhere, including going outside FS. It's therefore troubling that more than 60% of FS CEOs see lack of trust as a threat to their growth prospects. Nearly three-quarters of insurance CEOs are concerned (73%), more than any other industry in the survey.

From a workforce perspective, sustaining engagement when so many employees are worried about how their roles will change or even whether they will have a job at all underlines the need for leadership, transparency, systematic retraining and social responsibility.

Pressure to perform: *62% of FS CEOs report increasing pressure on their organisations to deliver business results under shorter timelines. Without the right people and capabilities, they won't be able to meet these demands.*



Five ways to accelerate workforce transformation



1. Define future workforce skills

Skills needs are changing, through the growing demand for not just digital capabilities, but also creativity and emotional intelligence. It's therefore important for FS companies to assess the skills they have and set about developing or acquiring those they don't.

Sharper analytics and scenario planning are crucial in developing a proactive response to shifting skills and organisational demands, especially in functions undergoing significant disruption, such as data analytics, technology and operations. When thinking about their people strategy for the digital age, 58% of FS CEOs agree that they plan for multiple and emerging visions of the future using a scenario-based approach, though only 9% strongly agree with this statement.

Although workforce transformation should be business-led, it's important to ensure that HR has the people, analytics and engagement skills to advise frontline teams and work in partnership with them to help deliver their strategies. Given the scale of the transformation ahead, it's perhaps surprising that barely half of FS CEOs agree that they are rethinking their HR function (52%), and only 13% strongly agree.



2. Harness FinTech

As FS organisations look to invest in innovation and build new skills, the growing partnership between established FS organisations and FinTech offers ready access to specialist talent and expertise.

We're also seeing greater use of contingent workers, with the emerging 'open-source talent' model acting as the talent equivalent of the 'plug-and-play' application programming interfaces (APIs) used to gain access to best-in-class tech capabilities.

Yet, FinTech innovators can find it difficult to assimilate into and succeed within a traditional FS culture. Potential barriers include a culture that sees new ideas as separate from mainstream operations and is therefore slow to commercialise innovation. Alongside a change of mind-set, making the most of the innovative potential calls for a shift in decision-making processes, performance management and incentives.



3. Modernise learning

Employees expect relevant, responsive and easily accessible learning and development resources to help them keep pace with rapid changes in the marketplace. They also want resources that fit their lifestyle, learning preferences and different ways of absorbing information.

Technology can empower employees to take charge of their learning through customised, regularly updated, learn-as-you-go content. The move from rigid, one-size-fits-all instruction to more empowered, personalised and hands-on experience-based learning enables employees to select the most relevant content, gain 'real world' experience and learn at their own pace. Examples might include developing specific digital skills or learning how to apply data-based decision making in day-to-day activities.

Accessibility comes from developments such as digital content hubs and mobile-friendly platforms. Some organisations are also using technologies designed to appeal to a connected workforce, such as gamification, which can enhance engagement and content retention.

These developments reflect organisational moves toward greater nimbleness, flexibility and diversity of thought. Moreover, the ability to tailor and target learning more precisely means that resources can be used more productively and cost-effectively.



4. Assure talent that you'll keep your promises on diversity and inclusion

Vague commitments and scattered initiatives on diversity and inclusion are not enough. It's important for FS organisations to ensure they have the leadership commitment, visible role models and targeted intervention to live up to promises. For example, this would include actively tackling the perception that people who work flexibly are less committed to their careers and organisations and have fewer career opportunities.

Our surveys of female professionals in FS and LGBT+ future leaders highlight the importance of dialogue and transparency in assuring talent groups that are currently underrepresented in senior management that they can succeed within an organisation. This includes going beyond minimum disclosures to set out objectives on diversity and inclusion, chart progress against them, and explain what's being done to sustain improvement and tackle barriers such as unconscious biases.



5. Recognise your social responsibilities

Change can be unsettling. It's therefore important to start a mature conversation about the future, being frank about how the organisation is going to operate in the digital era, what roles might come under threat, and how automation/AI can augment work rather than just take work away from people.

Organisations can't protect jobs that are made redundant by technology – but they can affirm their responsibility to their people. Nurture agility, adaptability and re-skilling. More than 60% of FS CEOs believe they have a responsibility to retrain employees whose tasks and jobs are automated by technology. Some FS organisations are prioritising their commitment to their people and community by constraining investment in automation to help protect jobs, rather than pursuing a full overhaul of certain functions.

Facing the urgent questions

Digital transformation can't succeed without workforce transformation. FS organisations face urgent questions about what kind of talent, technology and interaction between the two will enable them to keep pace with disruption. Sustaining competitive relevance also requires the ability to appeal to a broader array of talent and remain agile in the face of rapidly changing customer expectations.

Meeting these challenges demands a bigger leap than many FS organisations have so far been prepared to make. Yet businesses that move further and faster than the pack by fully appreciating the landscape and instituting the five ways to accelerate workforce transformation have an opportunity to sharpen innovation, carve out new revenue streams and create a more compelling experience for both customers and employees.



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Methodology

PwC surveyed 428 CEOs from financial services. This included 188 CEOs from banking and capital markets, 126 CEOs from asset and wealth management, 100 CEOs from insurance and 14 CEOs from other types of FS organisations.

90% of participating FS CEOs were male, 9% female and 1% preferred not to say.

21% of participating FS CEOs head businesses with turnover of more than US\$1bn and 5% more than US\$10bn.

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Design Services 31604 (09/18).