

Transforming HR for the Future of Financial Services

Using the Cloud for Better Recruiting, Retention, and Compliance

Overview

1. The Next Age in Financial Services Culture

2. Weathering Tomorrow's Recruiting Challenges

3. Retention That Secures Your Future

4. Preparing for Compliance Down the Road

5. Agility That HR Will Need

6. Building Your HR Action Plan

Overview

The financial services industry is no stranger to volatility. But this sense of continuous change now extends to human resources.

As financial technology (fintech) startups multiply and continue to disrupt the market, more workers are leaving regimented companies for these more innovative, forward-thinking employers. The insurance segment faces the bleakest talent outlook in financial services, with nearly 400,000 imminent retirees—and few millennials wanting to replace them.¹

And tepid growth, low interest rates, and shifting consumer expectations have squeezed margins even for giants. To thrive (and survive), financial services companies need to address this talent crisis immediately.



This ebook explores how a cloud human capital management (HCM) system can help you better appeal to candidates and existing workers, improve workforce management, and ensure that compliance issues don't hinder your growth.

In this guide, you'll learn...

- How to embody the future of financial services culture
- Ways to weather impending recruiting challenges
- How to make retention your key to future security
- Why your compliance strategy must expect the unexpected
- The reasons your HR system must be inherently agile
- How to build your action plan for future HR success

Who will find this ebook useful?

- HR leaders in financial services firms.
- C-level execs in financial institutions.
- Financial services line-of-business managers.

¹ Tom Stamer, "Talent Shortage Hitting Insurance Industry Hard," HR Dive dive brief, August 16, 2016, hrdive.com/news/talent-shortage-hitting-insurance-industry-hard/424483/.

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1. The Next Age in Financial Services Culture

It's no secret that new technology has redefined user experience and expectations for all products and services. This is especially true with millennials, who are natives of digital modes of correspondence. For bank customers, (See Figure 1) online and mobile are now the preferred channels for interaction.

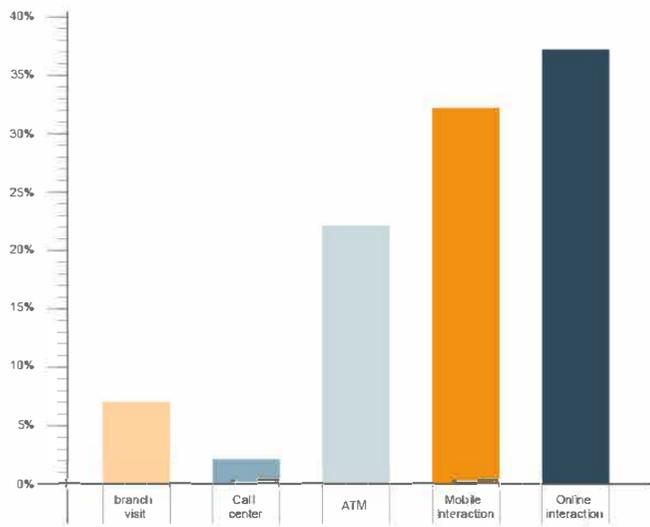
With convenience and integration with daily activities so important to any consumer experience, it's easy to see why fintech startups such as Stripe and SoFi—who offer services conveniently online—are thriving.

Financial services companies are feeling the pinch. 86 percent of insurers, for instance, have indicated a portion of their business could be lost to fintech in the next five years.³

To effectively compete, brick-and-mortar organizations must offer the same sophisticated yet simple-to-use experience. An intuitive user interface on any device, the personal touch of social media, and seamless communications, even from a multi-division company, are now essentials.

Let's be honest: How many more new financing options will a customer have by this time next year?

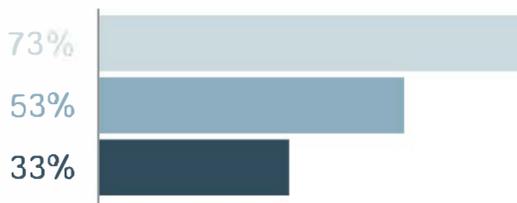
Figure 1: Customers' preferred Interactions at Retail Banks²



Leading financial organizations are already upgrading customer-facing technologies, including rolling out mobile apps and robust online portals. They're also shifting their employees' focus to an end-to-end customer experience, with a service-oriented emphasis that even guides back-end efforts.



Figure 2: Millennials see banking differently.⁴



73% Would be more excited about financial services available from tech giants such as Google, Amazon, PayPal, or Square than about new services from their own bank

53% Don't think their bank offers anything different from other banks

33% Believe they won't need a bank at all in five years

A transforming talent market.

Decades ago, financial services jobs were top career choices for the best and brightest. But that was a long time ago.

In a 2016 workplace happiness survey of over 12,000 professionals, financial services employees gave low ratings for both on-the-job joy and level of interest in their work compared to other industries.⁵

Today, many business- and analytically-minded graduates are turning to fintechs or insurance technology firms (insurtechs), or even businesses like mint.com. Less regulatory oversight, accelerated career paths, and large equity payouts are strong selling points. Even disruptive technology companies are luring talent away from financial services firms.

Can a traditional financial services company compete with getting into "the Google of fintech" on the ground floor?

To counter this trend, the rigid structure and hierarchies of financial services must give way to a company culture that rewards innovation—and nurtures employees. Whether the cold, stodgy, out-of-touch institution is fact or just false perception for your firm, your recruiting team must navigate it.

2 Michael Grebe, Nicole Menter, Brad Neakes, Jean-Werner de T'Serclaes, Ben Wade, and Ian Walsh, "Global Retail Banking 2016: Banking on Digital Simplicity," BCG article, May 10, 2016, [bcg.com/content/articles/financial-institutions-technology-digital-banking-digital-simplicity-global-retail-banking-2016/](https://www.bcg.com/content/articles/financial-institutions-technology-digital-banking-digital-simplicity-global-retail-banking-2016/).
 3 PwC Global, "Insurance's New Normal: Driving Innovation with InsurTech," Global InsurTech Report 2017, [pwc.com/gx/en/industries/financial-services/publications/insurances-new-normal-driving-innovation-with-insurtech.html](https://www.pwc.com/gx/en/industries/financial-services/publications/insurances-new-normal-driving-innovation-with-insurtech.html).
 4 Brian Soles, "Disrupt or Be Disrupted: The Endemic of Banking 'Out of Touchness,'" The Financial Brand article, July 11, 2017, [thefinancialbrand.com/66287/banking-disruption-millennial-innovation-culture-soles/](https://www.thefinancialbrand.com/66287/banking-disruption-millennial-innovation-culture-soles/).
 5 Robert Hall, "Can Finance Professionals Be Happy at Work?" The Robert Hall Blog, November 22, 2016, roberthall.com/blog/salaries-and-skills/can-finance-professionals-be-happy-at-work.



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2. Weathering Tomorrow's Recruiting Challenges

Financial services companies really should think about more than just money.

While market volatility and regulatory compliance have always been top of mind, industry executives admittedly feel unprepared for the slew of current recruiting challenges. A 2017 Deloitte study that found them anticipating talent shortages across the organization.⁶ (See Figure 3.)

A glimpse of your workforce future

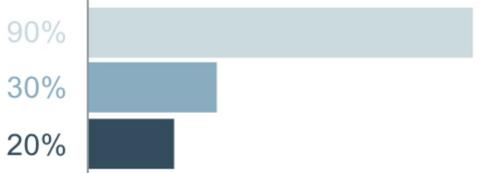
The first step in revamping recruiting is consolidating workforce data—from info on current employees and candidates, to projections of future needs for specific expertise.

Unfortunately, first-generation HR software hasn't made this easy for financial services companies. Customizations across multiple systems have not only slowed service delivery, but have made a current, comprehensive view of talent an impossibility.

Thankfully, today's advanced integrated HCM cloud solutions have delivered the ability to merge HR data from multiple source systems to create a "single version of the truth."

This real-time workforce data view makes proactive recruiting strategies possible. You can identify top performers, then incentivize them to refer their similarly skilled friends.

Figure 3: HR Teams Are Not Prepared for the future of Financial Services⁷



90% Businesses disrupted by digital business models

30% Currently have the right leadership or skills to execute

20% Business executives believe HR is adequately planning for the company's future talent needs.

Though it's common knowledge in HR teams, a recent LinkedIn report confirmed that employee referrals tend to have a longer tenure and deliver higher job performance.⁸

Changing priorities.

Compounding sourcing struggles are the ever-shifting priorities of job seekers. Today, the ability to learn and progress is the primary reason early-career workers choose one prospective employer over another. In fact, training and development is three to four times more important than pay.⁹

To appeal to candidates seeking constant learning, more financial services companies are deploying cloud software that facilitates on-demand courses on industry-relevant subjects and skills. This is especially useful for companies with globally distributed workforces, where in-person training is costly and impractical.



Rethinking team structure.

Any thorough assessment of financial services HR should consider team structure itself. An Accenture report describes the benefits of "liquid" workforce modeling, which increasingly relies on independent freelance workers for business-critical projects:

Banks that shift from outdated, bureaucratic management models and hierarchies toward agile structures will reap advantages. 76 percent of bankers agree that organizations that are able to build a strong liquid workforce will win the war for talent.¹⁰

Would certain business-critical teams be more productive if reconfigured based on skill sets rather than traditional hierarchies? Is somewhere between a seniority-based team structure and a flat organization the ideal?

Cloud-enabled workforce modeling software can help you explore different configurations and test their effectiveness and appeal to job candidates.



Expectations on both sides of a transaction.

When considering your company's most attractive aspects, you should bear in mind the new expectations for *all* people, not just customers. A consumer-grade candidate experience is quickly becoming the norm, even in financial services.

Cloud-enabled recruiting technology can keep applicants engaged throughout the process. Automated updates, mobile access, and personalized messages can offer a glimpse into your company culture and be a selling point. The less cumbersome your process is, the more that positive word will spread.



6 Deloitte, "Deloitte Financial Services Survey Snapshot," article, 2017, www2.deloitte.com/us/en/pages/financial-services/articles/gfsi-survey-snapshot.html.
 7 Deloitte, "2017 Deloitte Global Human Capital Trends: Rewriting the Rules for the Digital Age," article, 2017, www2.deloitte.com/us/en/pages/human-capital/articles/introduction-human-capital-trends.html?id=us::3gl:confidence:eng:cons:::z1J42mLY:1034640856:184650418487:e:Branded_Human_Capital_Trends:Branded_Human_Capital_Trends_Exact#.
 8 LinkedIn Talent Solutions, "Global Recruiting Trends 2016: Relationships at the Core," pdf, 2016, business.linkedin.com/content/dam/business/talent-solutions/global/en_us/c/pdfs/GRT16_GlobalRecruiting_100815.pdf.
 9 Deloitte, "2017 Deloitte Global Human Capital Trends: Rewriting the Rules for the Digital Age," article, 2017, www2.deloitte.com/us/en/pages/human-capital/articles/introduction-human-capital-trends.html?id=us::3gl:confidence:eng:cons:::z1J42mLY:1034640856:184650418487:e:Branded_Human_Capital_Trends:Branded_Human_Capital_Trends_Exact#.
 10 Accenture, "Technology Vision 2017: Amplify You," accenture.com/us-en/insight-disruptive-technology-trends-2017.

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3. Retention That Secures Your Future

For financial services recruiters, sourcing candidates will be difficult for the foreseeable future. But consider the combined effects of a slow talent pipeline and attrition on succession planning.

Sadly, only 34.7 percent of financial services employees report a high intent to stay with their current employer, while a mere 34.2 percent are satisfied with their future career opportunities.¹¹ Again, insurance's situation is the most dire in financial services.



“ For years, the insurance industry has failed to engage enough professionals to help bridge the growing skills gap resulting from impending retirements. Now the mass talent shortage is here, and insurers must take action.”¹²

Gregory P. Jacobson,
CEO, The Jacobson Group

Finding and training a replacement are more expensive than retaining a current worker, so financial services companies must continually engage and foster development throughout the employee lifecycle. Gallup reports that business units with high employee engagement enjoy:



For an industry like financial services, the importance of engagement can never be overstated.



Continual development.

One potentially transformative paradigm shift is for a company to begin treating employees more like customers. If your company puts as much effort into creating an invested workforce as does building brand loyalty, the shortcomings of traditional processes become clear:



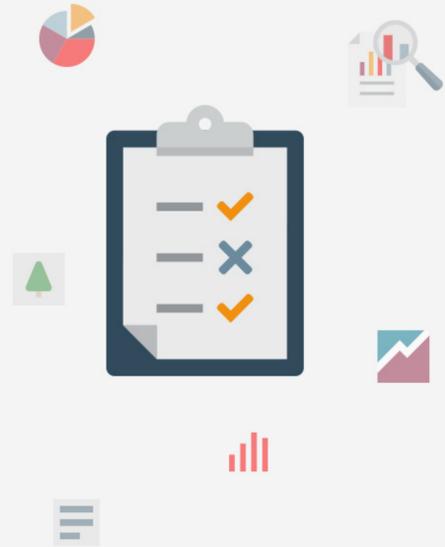
“ Employee-customer experience efforts often focus on touchpoints—the individual interactions support staffers have with their colleagues—rather than end-to-end customer journeys. That exposes a company to the possibility of failing to understand and improve its users' satisfaction because it can't see blind spots, and misses important cross-functional issues.”¹⁴

McKinsey & Company

Cloud-enabled performance management software can replace an outdated “annual review” approach with one that monitors and tracks individual and team goals. Workers are more likely to develop their careers *within* your company, while supervisors are more likely to catch signs of trouble *before* top performers quit.

Nine steps to a future-proof retention strategy

- 1 Consolidate workforce** information from around the globe in a central data warehouse.
- 2 Deploy a data model** that offers universal reporting and analytics for managers at all levels to improve decision-making.
- 3 Develop reports** and dashboards that provide insights into employee satisfaction/dissatisfaction.
- 4 Explore workforce diversity** in different positions, geographies, and divisions of the organization.
- 5 Use analytics and “what if” scenarios** to predict different employees' potential for turnover and preempt disruptive attrition.
- 6 Boost engagement** of key employees by making career-path options and performance goals more visible, through self-service tools.
- 7 Provide flexible** employee-development tools, such as social collaboration-enabled learning platforms.
- 8 Monitor results** of employee development and incentives: What convinces employees to stay with your organization?
- 9 Experiment** with different organizational models based on skills and other factors, to find the best structure for managing your organization.



¹¹ “2016 Global Talent Monitor: Financial Services and Insurance,” CEB Corporate Leadership Council, 2016, news.cebglobal.com/global-talent-monitor.
¹² Ibid.
¹³ Jim Harter and Annamarie Mann, “The Right Culture: Not Just About Employee Happiness,” Gallup News Business Journal, April 12, 2017, news.gallup.com/businessjournal/208487/right-culture-not-employee-happiness.aspx?amp%3B_campaign=files&%3B_medium=topic&g_source=EMPLOYEE_ENGAGEMENT.
¹⁴ Sylvie Bardeane, Sébastien Lacroix, and Nicolas Maechler, “When the Customer Experience Starts at Home,” McKinsey & Company article, May 2017, [mckinsey.com/business-functions/marketing-and-sales/our-insights/when-the-customer-experience-starts-at-home](https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/when-the-customer-experience-starts-at-home).



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4. Preparing for Compliance Down the Road

With the landscape of global regulations in flux for the past decade, some financial services companies have added compliance functionality on top of their existing technology infrastructure, creating inefficiencies and disjointed communication. Others are procrastinating.

Both approaches create compliance gaps—which could grow into expensive chasms.

“Financial services firms will not be able to wait out this current period of difficulty without taking decisive and, in some cases, bold actions.”¹⁵

Deloitte



HR, as always, must adapt. Take Dodd-Frank in the United States, which went into effect in 2010 and necessitated new training about whistleblower protections and other guidelines. Just seven years later, the Trump administration is seeking to roll back key provisions.

Regulatory tightening was cited by financial services executives around the world as the **number one driver of change** in the industry going forward. Deloitte¹⁶



Two looming regulations may have a particularly acute impact on industry HR teams:

1 Nonresident state income tax withholding (United States).

Determining exactly how much money each employee earned in every location becomes complex when considering different states' tax codes. For instance, any nonresident who works in Louisiana must file a Louisiana tax return, if he/she files a federal tax return.

To avoid penalties, proper data capture and integrity must be ensured. Inconsistent self-reporting by employees via manual timecards can be replaced by automated monitoring of travel logs. And a combination of geofencing and RFID can track and automatically record the location of an employee's badge.

2 GDPR

The General Data Protection Regulation takes effect on May 25, 2018. It grants individuals the right to access their personal data, on demand and free of charge and the right to demand a company erase their data. It also requires some organizations to appoint a data-protection officer.

Financial services companies—including U.S. firms doing business in Europe—need HR software with multilayered data security and the ability to track training and certifications of key employees. While some provisions are still unclear, consider this: An entity that fails to comply may face fines of up to 4 percent of its annual revenue.

¹⁵ Deloitte Center for Regulatory Strategy Americas, "Navigating the Year Ahead: Banking Regulatory Outlook 2017," Deloitte, December 2016, www2.deloitte.com/content/dam/Deloitte/us/Documents/regulatory/us-banking-regulatory-outlook-2017.pdf.

¹⁶ Deloitte, "Financial Services Survey Snapshot," 2017, www2.deloitte.com/us/en/pages/financial-services/articles/gfsi-survey-snapshot.html.



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5. Agility That HR Will Need

Recruiting and compliance are becoming more complex, but is core HR immune?

Unfortunately not.

As mentioned in Section 2, firms are hiring more on-demand talent over full-time employees. Bankers recently said 16 percent of their workforce consists of independent freelancers, and nearly a third expect their use of them to grow by more than 51 percent in the next year.¹⁷

In this context, core procedures such as payroll become inherently more complex, which necessitates the need for better service delivery and a higher level of data integrity.

An integrated cloud solution can centralize, standardize, and automate core processes, while providing self-service tools for routine tasks. Your HR staff will have more time for strategic activities, such as new wellness programs. And with productivity gains, many companies report shrinking recruitment time from months or weeks to mere days.



A future-ready infrastructure

Along with the cloud's cost savings and scalability, an exciting value proposition is the ability to immediately use new SaaS-enabled functionality.

Take artificial intelligence, for example, which an Accenture study describes as potentially transformative for financial services:

Banks could pair artificial intelligence (AI) with people to **fundamentally change** not only the way bank employees work, but also the type of work they do—**enhancing workforce efficiency**, flexibility, compliance, and skills that engage the customer.¹⁸

Chatbots are already being used to field more-mundane HR queries via text messaging, while more managers are using Amazon Echo-like voice recognition technology to perform HR tasks from any location.



Proactive banks will be the ones to **help reshape the industry**, set new standards that competitors will be expected to follow, redesign processes to be on pace with change, and **form innovative cross-industry partnerships** that capitalize on technologies for the good of people, processes, and profits.¹⁹

In a vertical plagued by constant change on both sides of a transaction, the promise of technological agility is a bright spot for companies that want to thrive. The future will surely bring more volatility to financial services, so when it comes to your workforce, you need the tools of tomorrow *today*.



Figure 4: What cloud-based HCM offers financial institutions.



¹⁷ Deloitte, "Financial Services Survey Snapshot," 2017, www2.deloitte.com/us/en/pages/financial-services/articles/gfsi-survey-snapshot.html.
¹⁸ Ibid.
¹⁹ Accenture, "Banking Technology Vision 2017: Amplify You," accenture.com/us-en/insight-banking-technology-vision-2017.



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See below for a step-by-step guide to revamping your HR.

1

Define your corporate culture of the future.

- Identify what changes customers are demanding of your business.
- Evaluate different staffing options to meet those demands.
- Probe job candidates' views on the pros and cons of working for you.
- Create an action plan for the evolution of the organization.

2

Examine obstacles to recruiting optimal candidates.

- Determine talent needs for the next three to five years.
- Compare those needs with candidates in the recruiting pipeline.
- Identify how to better attract the right types of candidates.

3

Evaluate the effectiveness of current retention practices

- Look at how long top performers stay with the firm.
- Analyze whether factors like more compensation or promotions make a difference.
- Incorporate retention efforts into the ongoing corporate agenda.
- Outline changes that would improve retention of your best employees.

4

Determine which impending regulations pose the most risk.

- Evaluate your preparedness for future regulatory changes.
- Determine whether existing systems and processes are agile enough.
- List and socialize action items to reach more efficient global compliance.

5

Determine the HR areas ripest for streamlining and simplification

- Identify manual processes and siloed communications in core HR and recruiting.
- Examine how automation, social collaboration, and AI could reduce resource requirements.
- Estimate total cost of ownership (TCO) savings of moving the HR technology infrastructure from capital expenditures to an operating expense payment model.



Chapter 5:
Agility That HR Will Need

