Investment Banking:

CAPITALIZING on talent

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TO ATTRACT AND RETAIN THE FUTURE WORKFORCE

INVESTMENT BANKS NEED TO REIMAGINE THEIR TALENT STRATEGIES

Investment banks have long used lucrative compensation packages and the prestige of the industry to lure top talent. But with structural and regulatory changes in the industry, as well as the ongoing evolution of workforce expectations, these levers are not as powerful as they once were.

To attract and retain their future workforces, investment banks need to reimagine their talent strategies. Specifically, they need to introduce new roles, embrace more flexible ways of working, and create work practices and workspaces that encourage collaboration and creativity.

Those that tackle their talent challenges with bold new thinking will win the competition for talent. More importantly, they will build the organizational capabilities needed to drive competitiveness and profitability for years to come.

NEW ERA
FOR INVESTMENT BANKS

Investment banks are facing tough times. Since their short-lived rebound following the financial crisis, revenues have fallen sharply. So have the volume and margin of most investment banking products. At the same time, regulatory changes have driven compliance costs and capital requirements higher, making it harder for them to achieve profitability. Cost containment is, and will likely continue to be, a priority.

The industry's focus on controlling expenses has a direct impact on hiring and retention. Salaries—while still generous—have fallen by about 30 percent since 2007, and continue to fall. Bonus pools are shrinking, too.[1] In this environment, investment banks are having a hard time attracting and keeping the professionals they need. In 2013, 12 percent of college graduates in the United States considered Banking & Capital Markets as a top industry in which to work. In 2016, only seven percent felt this way.[2]

The lack of interest in joining the industry is exacerbated by the lack of commitment among recent grads that accept investment banks' job offers. Many of these young professionals consider a brief stint at an investment bank a stepping-stone to a better future elsewhere.[3] It's not just young professionals who are heading for the exits. Many of the keenest and most seasoned minds are leaving the world of investment banking. Like their younger counterparts, they are seeking fortune and bliss in smaller, more innovative companies or in other industries such as high tech and FinTech.[4] As they leave, they take their knowledge with them.

THE NEW TALENT FRONTIER

Investment banks will need to attract and retain the best and brightest if they want to compete in the years ahead. Yet, many executives struggle with how to do this in an environment characterized by change.

THE CHANGING NATURE OF WORK

Banks have embraced automation to control costs and streamline processes. Many use new technologies to help their professionals focus on more strategic, customer-facing interactions, while eliminating routine tasks and providing more engaging work. Leading institutions are also using technologies in new ways to become more agile and responsive to client needs.

This digital shift has profound implications for the skills that are needed going forward. Data analysts and "quants," who interpret machine computations, increasingly are essential employees. So are those individuals with the ability to develop algorithms, apply blockchain technologies and manage the new IT landscape. Technology has an even greater impact on non-IT roles—eliminating some, changing others, and creating entirely new ones in areas such as client services, trading and sales (see Figure 1). Accenture research has found that 81 percent of executives believe multi-role workers with a variety of skills will be valued the most.[5]

THE HUMAN TOUCH

Digital is making investment banks more, not less, reliant on human skills. As new technologies automate routine tasks, workers will have more time to focus on customers. In fact, automation and self-service trading are clearing the way for new roles in areas such as service integration, cloud management, relationship management, product development and risk management. These roles, which are largely focused on satisfying customers' needs, will require uniquely human skills like critical thinking, empathy and complex problem solving.

FIGURE 1

There are no grants of immunity: The digital impact on investment banking workforces is profound

	Digital impact: 2025 workforce vision	Change in existing roles	Removal of existing roles	New roles
CLIENT SERVICES AND SALES	Major sales force reduction from move to cloud-based, data-driven solutions. Retained workforce focused on relationship management and client analytics. New role of product managers.	Secondary impact	Primary impact	Primary impact
RESEARCH	Some administrative and technology roles reduced.		Secondary impact	
CORPORATE FINANCE	Vast majority of technology, reconciliation and administrative roles moved to cloud-based service providers. Retained workforce will focus on management accountants and analysts.	Secondary impact	Primary impact	
TRADING	Middle office trade support roles reduced and replaced by cloud-based providers. Front-office technology support disappears. Increase in front-office roles doing artificial intelligence, analytics, algorithms.		Primary impact	Secondary impact
WEALTH MANAGEMENT	Advisory workforce largely replaced by cloud or robo-advisors. Retained workforce will focus on high-value relationships and client and market analytics.	Secondary impact	Primary impact	
ASSET MANAGEMENT	Bulk of administrative and back-office technology support replaced by the cloud.		Primary impact	
CROSS PRODUCT PROCESS	100% of manual processing and support capacity shifted to industry utilities and cloud-based automation. Retained roles focus on control and governance.		Primary impact	
DATA MANAGEMENT	Growth in new data management function as guardians are needed for proprietary data architecture and control.	Primary impact		
RISK MANAGEMENT	Most technology roles replaced by cloud-based risk platform providers and industry utilities for reporting. Retained roles focus on risk control.	Secondary impact	Primary impact	
REGULATORY COMPLIANCE	Increase in headcount and improved surveillance and analytics tools run from cloud services.	Secondary impact		
TECHNOLOGY	IT engineering teams replaced by cloud, with value-adding IT architects moved to business teams. IT and security architecture teams will design and assemble new services from internal IP and XaaS. A new cloud service management team will manage third parties and digitally monitor business operations in real time.	Secondary impact		Primary impact
FINANCE	Vast majority of technology, reconciliation and administrative roles moved to cloud-based service providers. Retained workforce will focus on management accountants and analysts.	Primary impact		
HR AND CORPORATE FUNCTION	Some administrative and technology roles reduced.		Secondary impact	

Firm function key: Client services Core IB Cross-product processing Corporate core

Impact key: Primary impact Secondary impact

Source: Accenture client experience.

THE CHANGING NATURE OF THE WORKFORCE

The rise of technology and the changing nature of work are two forces necessitating a change in how (and who) investment banks attract, retain and develop. Equally worthy of consideration, however, are the changes that have been happening in workforces and the larger talent pools from which they are drawn.

Our research confirms that workers are no longer drawn to traditional employment arrangements. Nor are they looking for long-term commitments (see sidebar). Millennials, especially, are interested in different types of working arrangements. Many are no longer looking for jobs; they make themselves available for "gigs." This shift completely upends the traditional hiring dynamic. HR managers will need to fill positions in new and innovative ways, drawing from larger talent pools. Talent marketplaces and exchanges will increasingly be sources of talent, especially for rare and highly specialized skills.

Attracting professionals is just one piece of the emerging HR puzzle. Investment banks will need to retain their talent. This means they must be able to articulate compelling experiences for their workers. Compensation packages and bonuses will certainly be a component. But among millenials, in particular, Accenture research with Gallup shows that compensation and benefits motivate less than emotional levers such as engagement and quality of life.[7] Millennials want flexibility. They want a personalized career experience. They want an open and engaging culture. Non-financial benefits such as training, coaching, and community support will be critical to keeping them engaged.

THE END OF THE LONG-TERM EMPLOYEE

Accenture research[6] found that high numbers of workers are interested in working for themselves or taking on freelancing assignments.

Baby Boomers:

53 percent

Generation X:

64 percent

Millennials:

76 percent

Workers' desire for something different is more than just wishful thinking. The numbers of workers planning to leave their current employers within five years is surprisingly high.

Baby Boomers:

52 percent*

Generation X:

48 percent

Millennials:

64 percent

*Note: Many Baby Boomers will be moving on to retire from the workforce entirely.

THE CHANGING NATURE OF THE WORKPLACE

Technology can play a big role in making workspaces more collaborative and workplaces more appealing. While new technologies are eliminating certain jobs in investment banking, they are creating others. They are also making existing jobs more satisfying by introducing innovative workforce enablement tools. The role of digital is not lost on the banking workforce or recent college graduates:

66 percent of workers, across industries, expect technology to have a positive impact on their work in the next five years.[8]

87 percent of banking managers believe machines will make them more effective and their work more interesting.[9]

91 percent of Millennials are optimistic about the changes that technology will bring to their work in the next five years. Gen Xers and Baby Boomers aren't far behind (85 and 81 percent, respectively).[10]

65 percent of recent graduates in the United States, United Kingdom and Germany believe that digital advances and artificial intelligence will affect their jobs positively; only 12 percent anticipate a negative impact.[11]

BANKING ON TALENT

To build the highly skilled, agile workforces investment banks need, they must adopt completely different strategies for talent acquisition, retention and development:

REINVENT THE TALENT STRATEGY. Business and HR leaders have an unprecedented opportunity to co-create an expansive and innovative talent strategy. Such a strategy will fuel a culture of learning as a way of life. It will tap new talent marketplaces such as SpareHire to build the capabilities that are required, and apply digital technologies to enable the workforce to work smarter and faster. A reinvented talent strategy will also be geared to provide talent experiences that resonate both with employees and workers in non-traditional work arrangements.

RETHINK THE WORK. What investment banks do has not fundamentally changed. What has changed, however, is how they do it. To compete in the years ahead, investment banks must understand how technologies, managed services and even new resource models can be used to create and augment the future workforce. Further, they must understand the roles they need to fill in a technology-enabled work environment. Only then can they activate a talent strategy that unlocks human potential and augments human skills with technology where possible.

RECHARGE THE WORKFORCE. Investment banks must be nimbler and more adaptive to changing market dynamics than ever before. Multi-skilled generalists will be in particularly high demand. To create and motivate the future workforce, investment banks should develop talent strategies that emphasize continual learning and development. Digital technologies, which can be paired with workers' learning styles, circumstances and environments, will be critical to this transition. In addition to reskilling people for more valuable work, digital can be used in new ways to encourage employee engagement. Having smart machines provide feedback on workforce performance or monitor worker satisfaction are two examples.

BRAVE NEW WORLD

At Accenture Strategy, we believe the talent challenges that investment banks face can serve as an impetus for them to develop new, all-encompassing talent strategies that enhance their agility, their competitive agendas and their employees' experiences.

Taking advantage of this opportunity means tearing up their old talent rulebooks and developing new approaches that more closely align to the changing nature of work and the changing demands of their workforces.

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NOTES

[1] William Wright (New Financial), "Taking stock on pay: 10 things we know (and don't know) about pay at investment banks and asset managers," February 2016.

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[4] Lauren Tara LaCapra, "Wall Street executives fret about talent drain," Reuters, January 27, 2013.

[5] 2016 Accenture Technology Vision.

[6] Accenture: Future Workforce Survey, 2016.

[7] Accenture Strategy, "Harnessing revolution: Creating the future workforce," 2017.

[8] Accenture: Future Workforce Survey, 2016.

[9] Accenture, "Financial Services: Managers and Intelligent Machines, Unite!", 2016.

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[11] Accenture Strategy University Graduate Study in Germany, UK, US, 2016.

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