

Financial Services Leadership Summit

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FSL

VIEWPOINTS

Attracting and retaining talent amid generational and market changes

“Talent is the number-one issue, but you need a totally different pool of people.”

– Director

Financial institutions face a complex set of circumstances for attracting and retaining talent. Millennials and Gen Z occupy a growing portion of the workforce, and they demand new and evolving accommodations from their employers. Markets swings have emboldened talent to change jobs and career trajectories, leaving many institutions wondering where to look to secure the workforce they need. A director of a large firm said, *“This an industry that’s got to change, and it needs to think quite a lot harder about the skills that are needed.”* Another director agreed: *“I really do think talent is the number-one issue, but you need a totally different pool of people.”* As financial institutions continue to transform their operating and business models through technology, attracting and retaining top tech talent remains a priority.

At the Financial Services Leadership Summit on June 8–9 in New York, directors and executives from large financial institutions, regulators, and other subject matter experts discussed the challenges of attracting and retaining top tech talent, as part of a broader agenda about how financial institutions are meeting heightened stakeholder expectations. Summit participants were joined by Howard Boville, head of IBM Cloud Platform, and Carlos Gutierrez, co-founder and CEO of Empath Inc. and non-executive director of MetLife. This *ViewPoints* synthesizes discussions held in advance of and during the summit and is structured around the following themes:¹

- **Financial institutions confront unique challenges in competing for tech talent**
- **Firms are exploring new approaches to respond to talent challenges**

Financial institutions confront unique challenges in competing for tech talent

In recent years, financial institutions have struggled to compete with big tech firms and start-ups for top tech talent. Financial institutions need the right talent in order to capitalize on new opportunities and approaches as they continue to invest heavily in technology to transform their businesses. The

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– Director

war for talent is acute; firms must contend with other financial institutions as well as companies outside the sector for a limited pool of talent with highly sought skills, such as those conversant with cloud native applications, intelligent automation, and data analytics. Summit participants identified some of the challenges they face in their pursuit:

- **Frustration with legacy technology.** One bank director said, *“Talent wants to move to technology that’s the future, cutting edge. Financial institutions are still supporting tech based on mainframes. As they continue to do so, you have a talent drain that wants to move on.”* Another director lamented, *“We lose people who say, ‘I can’t do what I wanted to because of the legacy system.’”*
- **Trouble competing on compensation.** While financial services companies are generally competitive with virtually any industry on compensation, financial institutions still struggle to offer the compensation that leading tech talent can command, and they can’t offer the potential benefits of a promising early-stage tech company, like equity with significant, sometimes rapid growth potential. A director noted, *“One challenge: once you bring them in, you have to pay them like Google does.”* An executive added, *“The last two to three years, all the interesting tech seemed to be in big tech companies, and the way to make a gazillion dollars was to work in a start-up.”*
- **Friction with organizational culture and reputation.** Financial institutions have a reputation for being cautious, slow moving, and risk averse. The need for stability and regulatory compliance means that these firms cannot fully embrace the “move fast and break things” mindset often prevalent in tech companies and popular with top engineers. Financial services also lacks the appeal to younger workers who articulate a desire for more purpose-driven careers. As a director described the situation, *“It’s not the boss—it’s the whole system. It’s bigger than you. Cultural change is needed, which in financial institutions is hard to do.”*
- **Adapting to generational differences in career paths.** Large banks and insurers are hierarchical organizations that have historically offered structured career paths to their employees. Firms are finding that this approach simply does not resonate with millennial and Gen Z workers. An executive explained, *“They see a vertical career path like we had as not fulfilling. They like lateral moves, and nonobvious jobs.”* Even if a firm can bring in a talented young worker, that willingness to move laterally in pursuit of their own career aspirations makes retention difficult. A director

said, *“The Great Resignation has been from a particular company to something else, but some of them are going to something we wouldn’t consider traditional work.”*

- **Attracting diverse talent.** The need and desire to improve diversity, or to bring people with diverse experiences into technology, can be challenging and those with the necessary qualifications are increasingly few. An executive commented, *“In terms of talent, what I find is people who don’t have a computer science degree or that type of background focus on overlay solutions rather than the engineering solutions. So, I feel I can’t bring in people with different backgrounds and succeed, which is demoralizing because people with computer science degrees are ever fewer and ever less diverse.”*

Firms are exploring new approaches to respond to talent challenges

Firms are starting to explore different approaches to overcome some of the challenges they confront in attracting, developing, and retaining tech talent. Some have found success by more effectively articulating the value proposition of working in financial services to promising candidates, rethinking how work gets done on a regular basis, and using AI to better understand and manage the talent already within their organizations.

Remarketing the financial services value proposition

Participants see opportunities for financial institutions to better market themselves to prospective tech talent and see an opening as tech stocks slump. One participant said, *“It feels like we’re in the midst of a revaluation, like the 1999 tech boom.”* Fintech valuations have fallen, the crypto industry is under stress, and even the big tech firms are starting to cut back on hiring as the economy slows and they find themselves under increased regulatory and policy scrutiny.

Large financial institutions may provide a sense of stability and security amid these uncertainties—an important point to capitalize on in recruiting talent. An executive commented, *“Financial services presents an opportunity for companies with good business models that generate cash with interesting tech problems to work on. If you want to work on interesting business problems with tech applied to it, there’s no better place than a financial institution. It’s a great place for engineers who want to have complex problems to work on with plenty of resources devoted to it—and engineers are problem solvers.”*

“People with computer science degrees are ever fewer and ever less diverse.”

– Director

Adjusting work strategies for younger workers

Firms are starting to adjust how they go about getting work done to better align the work environment around the desires of younger workers and those whose preferences have changed through the pandemic. Summit participants described some of the promising steps they are taking:

“You bring people in to work in fairly regimented places, anchored in historical constructs, and we say, ‘This is how we do things.’”

– Executive

- **Demonstrating humility and flexibility.** Large financial institutions have been notorious for challenging work environments and long hours. An executive commented, *“A big part of this is you bring people in to work in fairly regimented places, anchored in historical constructs, and we say, ‘This is how we do things.’”* There is a growing understanding that this needs to change; a more human approach is now required. A participant said, *“A little humility can go a long way to attracting talent, retaining talent, and drawing them back. We used to think the senior leaders had to have all the answers, but maybe the role of senior leaders is to say, ‘Here are the problems.’”*
- **Encouraging more problem solving and execution of new ideas.** Tech workers and younger workers want to be challenged with solving big problems rather than be told “this is how it’s always been done.” A director detailed a novel approach to accommodate this need: *“We draw them in—say, ‘Here’s how we currently do things, and here’s the problems with that.’ We set up cross-functional teams and say, ‘Solve those problems.’ We’ve gotten some incredible ideas from them, and we are also getting incredible pulse scores and retention. But you have to implement them and execute; they need to see their ideas get executed on.”*
- **Supporting remote work arrangements.** The topic of remote work has become a central issue in discussions of what the new status quo will look like following the pandemic. While some leading financial services firms have pushed employees to return to the office, the *Financial Times* reports that “surveys from groups such as Gallup consistently show most people working from home today expect to continue to do so, most of the time.”² That may be especially true for tech workers, who don’t face the same pressure from the likes of Apple and Google to return to the office full time and who, as digital natives, “grew up managing social relations in cyberspace as much as in the real world.”³ A participant acknowledged, *“We need to create as open an employee relationship as we can, even if that runs against our very DNA that says, ‘They need to be in the office learning the way I did.’”*

- **Investing in ongoing training for managers.** Participants highlighted the importance of having managers who can lead well in a hybrid environment. Handling promotions and advancements and maintaining a company culture can be especially challenging if valued talent continues to expect to work from home. A director expressed the need to train management on how to oversee not just those employees who work remotely on a periodic basis but also the “30% who have never seen the office,” noting the need as well to learn “how to incentivize them to come into the office.”

Applying emerging technologies to help with skills assessment and career trajectories

AI and machine learning have the potential to dramatically affect an array of business and internal applications for large financial services firms. Banks and insurers have historically faced competitive pressure to advance implementation to personalize services, evaluate credit risk, or streamline underwriting. Senior leaders now see the potential to use AI to tackle challenges relating to attracting tech talent.

Participants discussed potential use cases:

- **Identifying key skills to facilitate development planning.** Employees and their employers often significantly underestimate the number of skills they have. A director said, “If you ask anyone how many skills they have, people will say three to four because we tend to think about things we excel in. The average employee has 30–40 skills but doesn’t know that they have them, and their company doesn’t know they have them.” AI can “see what a company does and infer the skills. It identifies the skills with great accuracy and does so for proficiency levels. It generates an inventory, a warehouse of every skill set in a company, and includes skill sets needed in the company. It allows you to generate development plans for people that are more tailored.”
- **Matching internal candidates with job vacancies.** Once skills are identified and catalogued, finding talent internally becomes easier. A participant commented, “Typically, if you lose someone key to the organization, you look outside to replace them. But if you have an inventory of skill sets, you are often able to find that your best candidate is inside.” A bank director said, “During PPP [Paycheck Protection Program] we outperformed—we gained market share—so it begged the question, Did we misprice risk?” The director’s firm identified a key contributing factor: “We had a skills inventory. We had to draft thousands

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– Director

of people into specific positions, but because we had that skills inventory, we could do that.”

- **Presenting broader career paths to younger workers.** AI can open career paths that were not immediately evident to talent and their employers. An executive said, *“What we found is the jobs you apply for are most often based internally on six people you knew in your organization, which limited your opportunities. But when we deploy tools to assess skills, it opens new options for people.”* For younger workers in particular, this affords *“more diverse career paths available versus just saying, ‘I want my boss’s job’”* and leads to greater retention.

Using AI for talent management is not without risks. Concerns regarding the potential for bias that underpin other AI applications in financial services remain. As one executive noted, *“Humans are biased. When you develop a machine-learning model, you do it by giving it wins and have it chart a path to achieving those wins—but humans created the wins, so in training machine learning, you encode biases into it.”*

For more about financial institutions’ use of AI and machine learning, see the companion ViewPoints entitled “Financial institutions are accelerating investments in tech transformation.”

The war for talent is unlikely to abate anytime soon. As one director remarked, ensuring we have sufficient talent in the areas of greatest need *“needs to be a national conversation.”* One executive, however, did provide reason for optimism: *“When they hear the word ‘talent,’ 95% percent of people switch off, because they don’t see themselves as talented. Talent itself is not the key; it’s the ability to make them feel valued and turn the light on within them.”* Make the changes necessary to *“turn the light on”* and it will benefit top tech workers and the financial institutions that employ them.

Appendix

The following individuals participated in these discussions:

Participants

- Homaira Akbari, Non-Executive Director, Santander
- Michael Alix, Americas Chief Risk Officer, UBS
- Jeff Barbieri, Vice President, Corporate Governance/ESG Research, Wellington Management
- Drew Barker, Senior Vice President, Head of Climate Risk Management, Truist Financial
- Richard Berner, Clinical Professor of Management Practice, Department of Finance and Co-Director, Volatility and Risk Institute, NYU Stern School of Business
- Sarah Beshar, Non-Executive Director, Invesco
- Howard Boville, Head of IBM Cloud Platform, IBM
- Jan Carendi, Non-Executive Director, Lombard International Assurance
- Bill Coen, Non-Executive Director, China Construction Bank
- James Cole, Non-Executive Director, AIG
- Kristen Dickey, Non-Executive Director, Somerset Re
- Dianne Dobbeck, Head of Supervision, Federal Reserve Bank of New York
- Beth Dugan, Deputy Comptroller for Large Bank Supervision, Office of the Comptroller of the Currency
- Eliza Eubank, Managing Director and Global Head, Environmental and Social Risk Management, Citibank
- John Fitzpatrick, Non-Executive Director, AIG
- Emily Gaston, Analyst, SASB Standards Financials Sector, Value Reporting Foundation
- Mike Gibson, Director of the Division of Banking Supervision and Regulation, Federal Reserve Board
- Jay Grayson, Chief Executive Officer and Co-founder, Surround Insurance
- Carlos Gutierrez, Non-Executive Director, MetLife; Chair and Chief Executive Officer, Empath
- Carlos M. Gutierrez, Chief Marketing Officer, Empath
- Bob Herz, Audit Committee Chair, Morgan Stanley and Fannie Mae
- Brad Hu, Executive Vice President and Chief Risk Officer, State Street
- Tim Keaney, Audit Committee Chair, Unum
- Sandra Krieger, Non-Executive Director, Deutsche Bank USA

- Joan Lamm-Tennant, Chair, Equitable Holdings and AllianceBernstein; Non-Executive Director, Hamilton Insurance Group
- Christine Larsen, Non-Executive Director, CIBC
- Marc Lindsay, Managing Partner and Director of Research, Sustainable Governance Partners (SGP)
- Nick Lyall, Non-Executive Director, USAA Savings Bank
- Michel Madelain, Non-Executive Director, China Construction Bank
- Callum McCarthy, Nomination and Compensation Committee Chair, China Construction Bank
- Tracy McKibben, Audit Committee Chair, USAA
- Dambisa Moyo, Co-Principal, Versaca Investments, Global Economist, Author, and Board Member
- Diane Nordin, Audit Committee Chair, Principal Financial; Compensation and Human Capital Committee Chair, Fannie Mae
- Gordon Orr, Non-Executive Director, Lenovo, Meituan, Swire Pacific
- Andy Ozment, Chief Technology Risk Officer and Executive Vice President, Capital One
- Marty Pfinsgraff, Risk Committee Chair, PNC Financial
- Chris Pinney, President and Chief Executive Officer, High Meadows Institute
- Bruce Richards, Vice Chair, Credit Suisse Holdings USA
- David Sidwell, Non-Executive Director, Chubb
- Nick Silitch, Senior Vice President and Chief Risk Officer, Prudential Financial
- Bob Stein, Audit Committee Chair, Assurant and Talcott Resolution

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- Jan Bellens, Global Banking and Capital Markets Leader
- Peter Davis, Americas Financial Services Markets and Solutions Leader
- Matt Handford, Principal, Climate Change and Sustainability
- Ed Majkowski, Americas Insurance Sector and Consulting Leader
- Isabelle Santenac, Global Insurance Leader
- Sophia Yen, Principal, Insurance Strategy and Innovation Leader, Financial Services

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- Dennis Andrade, Partner
- Eric Baldwin, Principal
- Tucker Nielsen, Principal
- Andre Senecal, Associate

About this document

About *ViewPoints*

ViewPoints reflects the network's use of a modified version of the Chatham House Rule whereby names of network participants and their corporate or institutional affiliations are a matter of public record, but comments are not attributed to individuals, corporations, or institutions. Network participants' comments appear in italics.

About the Financial Services Leadership Summit (FSLS)

The FSLS is an annual meeting addressing key issues facing leading financial institutions. It brings together non-executive directors, members of senior management, policymakers, supervisors and other key stakeholders committed to outstanding governance and supervision in support of building strong, enduring and trustworthy financial institutions. The FSLS is organized and led by Tapestry Networks, with the support of EY. *ViewPoints* is produced by Tapestry Networks and aims to capture the essence of FSLS discussions and associated research. Those who receive *ViewPoints* are encouraged to share it with others in their own networks. The more board members, members of senior management, advisers and stakeholders who become engaged in this leading-edge dialogue, the more value will be created for all.

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Endnotes

¹ *ViewPoints* reflects the network's use of a modified version of the Chatham House Rule whereby names of summit participants and their company affiliations are a matter of public record, but comments are not attributed to individuals or corporations. Italicized quotations reflect comments made by summit participants and guests.

² Gillian Tett, "Why CEOs Are so WTF about WFH," *Financial Times*, July 13, 2022.

³ Tett, "Why CEOs Are so WTF about WFH," *Financial Times*.