Most financial services businesses are organised and run for a marketplace that is fast disappearing. How can you make sure your business is equipped to compete?

**Equipped for the future: Re-inventing your organisation**
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Equipped for the future: Re-inventing your organisation
We’re pleased to introduce Equipped to compete: Reinventing your organisation.

The key question is no longer whether or even how the financial services (FS) sector is being transformed, but how to undertake the urgent organisational overhaul (capabilities, structure, decision making, processes, technology and talent) needed to meet changing customer expectations and deliver a decent rate of return in this new environment.

In this paper we outline the organisational implications of the forces reshaping FS (Section one) and then set out our blueprint for the successful organisation of the future (Section two), before concluding with the immediate priorities for action. The paper draws on the insights of PwC’s sector experts from around the world and our experience of working with the businesses that are spearheading the development of a new organisational paradigm.

We hope that you find the paper useful and interesting. If you have any queries or would like to discuss any of the issues in more detail, please speak with me or any of the contacts listed on page 22 or your usual PwC contact.

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Executive summary

Forces driving change
Imagine a marketplace in which service standards are defined by the digital experience, brand value is determined by chattering on social media, customers know more than salespeople and are readier than ever to switch if they believe they can get something better elsewhere. This isn’t some distant future your business can worry about later, but the market realities that you’re already beginning to face. A much more urgent and radical organisational overhaul than many FS businesses are undertaking is likely to be needed to reflect these rapid shifts in the market.

New organisational blueprint
Building on our experience of working FS businesses across a range of different markets, we believe there are five main building blocks for the new organisational paradigm:
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New organisational blueprint

Building on our experience of working FS businesses across a range of different markets, we believe there are five main building blocks for the new organisational paradigm:

1. Inspirational: The brands people want to be associated with make lives better

The starting point for organisational regeneration is a clear vision of what you're in business to achieve and how this contributes to society and the economy. This renewed sense of purpose can help to rebuild trust, restore pride and motivation within your workforce, and strengthen its ability to compete for customers and talent. Making the vision real requires strong leadership and firm control of the levers that shape culture and behaviour on the ground.

2. Fit for the future: Defining the organisational capabilities needed to compete

The businesses out in front recognise the need for new and sharper capabilities as they seek to keep pace with rapidly changing customer expectations. Key differentiators include the ability to sense digital signals, anticipate demands and respond instantaneously. A more fragmented marketplace also requires sharper segmentation, the ability to build relationships across different channels and generations, and the more diverse workforce needed to reflect demographic and social changes. The need to understand and engage with customers, communities and governments will see more staff hired in from clients and the public service. Underlying requirements include defining more relevant analytics for decision making, more effective information security, social media savvy public relations and the ability to work with many different types of business partners.

3. Decisive: Big can also be fast

Decision-making processes are changing. One of the key challenges is how to become comfortable with a complex multi-speed model in which decisions that affect risk, the brand and the financials will be more centralised, while ‘close to customer’ decisions become faster and more autonomous. As your business seeks to bring innovations to market quicker, it’s especially important to move away from lengthy business planning to a faster and more flexible, data-led iterative approach to decision making. Businesses would launch, test, take on feedback and respond in a model similar to that used by many of today’s telecoms and technology companies.

4. Agile: Maximising freedom of manoeuvre

The need for flexibility, customer focus and more efficient use of resources is going to require greater mobility, adaptability and collaboration. Multifunctional teams would be quickly assembled to meet specific customer needs and capitalise on emerging opportunities, then swiftly disassembled ready to move on to the next opening as part of an agile and cost-effective ‘plug and play’ model. A new and more realistic ‘bargain’ with staff is also going to be needed to bring pay rates into line with today’s more modest returns.

5. The right people: Bringing skill sets and rewards into line with the new marketplace

The emerging marketplace demands people who are comfortable with change. They will use their networked capabilities and new decision-making tools to accumulate knowledge much quicker than previous generations and move easily between projects and roles. Levels of pay may reflect how value was created in the past, not how it is now. Interactions now cover a number of different channels, so it’s harder to allocate value to any one in particular, for example. Value creation is also less dependent on individual expertise and more on the strength of the organisation’s brand, relationships and access to customer data. As a result, simply paying the going rate will give way to a mark-to-value approach, in which staff are rewarded in line with their contribution to customer understanding, sustaining relationships and other sources of long-term value creation.
Forces driving change

What is striking about the changes in the FS marketplace isn’t just how far they’re likely to go, but how quickly they’re taking hold. What are the organisational implications of this accelerating market transformation?
Through our FS-wide Project Blue¹ and a series of sector-specific perspectives for insurance,² retail banking³ and asset management,⁴ we’ve been exploring the trends that are reshaping the industry and the new competitive battlegrounds they’re opening up.

It’s not our intention in this section to look at these developments in detail, rather to consider what they mean for the way your business is organised. We’ve grouped the organisational implications around our five building blocks for change:

1. **Inspirational:**
   The brands people want to be associated with make lives better

2. **Fit for the future:**
   Defining the organisational capabilities needed to compete

3. **Decisive:**
   Big can also be fast

4. **Agile:**
   Maximising freedom of manoeuvre

5. **The right people:**
   Bringing skill sets and rewards into line with the new marketplace

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¹ [www.pwc.com/projectblue](http://www.pwc.com/projectblue)
² [Insurance 2020: Turning change into opportunity](http://www.pwc.com/gx/en/insurance/future-of-insurance/index.jhtml)
³ [Retail banking 2020: Evolution or revolution](http://www.pwc.com/gx/en/banking-capital-markets/banking-2020/)
⁴ [Asset management 2020: A brave new world](http://www.pwc.com/am2020)
New economic realities
A combination of technology, easier price comparison and new regulation are intensifying cost pressures and changing price/value propositions.

Organisational challenges
1. How to respond to shifts in what customers value and are willing to pay for.
2. The need for greater ruthlessness in focusing on core sources of value, withdrawing from unviable business and using automation, offshoring and outsourcing to cut costs in low margin transactions.
3. How to turn data into insight and revenue.
4. How to make sure the way clients are segmented and the workforce that serves them better reflect demographic trends including differing gender and generational expectations.
5. Forging the more realistic ‘bargain’ with staff needed to bring pay rates into line with today’s more modest returns.

Changing customer expectations and the power to punish
Power has shifted to the customer as they become more connected, more demanding and less loyal.

Organisational challenges
1. Instilling the vision and values needed to rebuild trust.
2. Harnessing big data analytics, social media monitoring and other new forms of insight to anticipate and respond proactively to changing customer demands.
3. How to gain clearer line of sight to customers, speed up decision making and overcome institutional resistance to change.
4. Shift from product-push to customer solutions.
5. Accent on product specialisation (‘depth’) gives way to broader engagement, analytical and change management skills (‘breadth’).

Digital competitors and the age of innovation
As the pace of innovation accelerates, developments that would have taken years to impact on the market can now become consumer expectations in a matter of months.

Organisational challenges
1. New competitors have head start on trust. 5
2. Operational barriers to entry are disappearing as tech-enabled entrants use digital distribution and advanced customer profiling to break into the market.
3. How to create a business model that is flexible enough to reinvent itself when better technologies or potential partners come along.
4. How to lead innovation – even fast following could leave your business marginalised.
5. How to create an adaptable workforce, unbound by hierarchy, organisational siloes or restrictive practices.

Rise of state-directed capitalism
Strategies and organisational design should reflect the extent of government intervention in the financial system.

Organisational challenges
1. Judging how to deliver shareholder value while shouldering increasing levels of social responsibility.
2. How to compete in a market in which higher capital and compliance costs are eating into margins and making some once-profitable business unviable.

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5 The Edelman Trust Barometer 2014 shows that FS continues to be the least trusted industry globally, with technology being the most trusted.
3. How to plan and respond quickly to shifts in government policy and investment.

4. How to manage ring-fencing, which is leading to the creation of what are in effect standalone businesses.

5. Designing the role of the corporate centre to provide more central oversight and operate in a favourable fiscal and talent rich location.

6. With so much value tied up in the relationship with government (e.g. regulation and joint investment), having the people in place to engage.

**Equipped to compete**

As the returns from some of the mainstays of your business begin to dry up, you’ll at the very least be forced to rethink your target markets and massively cut costs. The most successful businesses are going much further by re-engineering their organisations towards new ways of meeting customer demands and opening up new market opportunities. So is your business up to speed? Our work with FS organisations raises five key questions that we believe businesses should address to make sure they’re equipped for these new realities:

1. Is your thinking radical enough?

2. Does your mission embrace the values of the post-crisis world?

3. Do your organisational capabilities reflect your customers’ changing expectations?

4. Do your organisational capabilities reflect the new economics of your business?

5. Is your organisation ready for change?

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**The new marketplace**

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New organisational blueprint

Your organisation is under pressure to change as fast as or even faster than the market. What kind of capabilities, decision-making processes, operating model and talent do you need to respond?
1. Inspirational: The brands people want to be associated with make lives better

FS is facing hostility from politicians, media and society as a whole and is seen as less attractive to talent. Yet, the sector’s contribution to society is essential in areas ranging from helping people to buy a home or support themselves through retirement to nurturing business innovation. The problem is that as products and organisations have become more complex, this clear sense of purpose and value can be lost.

Organisational regeneration therefore starts with a compelling vision of what you’re in business to achieve and why it matters. This renewed statement of purpose should provide a core set of values, shared expectations and driving goals.

This focus on socially beneficial ‘good growth’ is an opportunity to re-engage with disillusioned customers. It can also form an important element of your new employee value proposition, fostering a renewed sense of pride and purpose within your workforce, and helping to attract talent at a time when many of the brightest candidates are looking for more meaning from their chosen careers.

Putting customers first

The core of this renewed purpose, vision and values is putting customers first. This includes taking the time to understand their needs and only providing a product or solution that is right for them, even if this means foregoing a sale and the bonus that might come with it. It also means clear price transparency and a commitment to not making money when customers mismanage their affairs.

A key element of this ‘fair deal’ is judging behavioural traits, an area that is only now beginning to gain sufficient focus. Why don’t more people switch when teaser rates no longer apply, for example? It will therefore be important to make sure customers have the right information to make informed choices.

Leading by example

Leading executives personify the mission in the messages they convey and how they act. There are many styles of effective leadership, but these are the cues employees take to shape their own behaviour.

A number of FS organisations have started to address these challenges by developing new leadership programmes and reshaping selection and succession planning criteria. The results can be evaluated through enhanced voice of customer insights, use of social media sentiment analysis and tailored employee engagement surveys. While such initiatives are an important step forward, the evaluations highlight the need for further work in changing the management approach and its impact.

6 ‘Millennials at work: Reshaping the workplace in financial services’, PwC, April 2012
2. Fit for the future: Defining the organisational capabilities needed to compete

Leading in times of disruptive change
In times of transformation, businesses often prefer to be fast followers rather than innovators, covering competitors’ moves and learning from their mistakes.

Yet, as customers begin to dictate their own terms and switching providers becomes easier, waiting for others to make the first move is no longer a luxury your business can afford. More investment isn’t necessarily the answer. The key question is how to develop the faster decision making and organisational mobilisation needed to commercialise new ideas and respond to market developments ahead of your competitors.

Anticipating customer needs
As customer engagement and insight become the key differentiators, FS organisations are looking at how to improve their ability to anticipate what customers want and shape services around their changing lifetime needs.

We’re already seeing a shift in business model and approach as banks partner with new digital competitors and insurers focus more closely on how to protect against risks rather than simply paying insurance claims after the event.

The competitive benchmarks for how well you understand and can respond to customer needs should be the internet and technology companies that are seeking to move into the sector, rather than just traditional peers.

Turning information into advantage
A fast-growing US insurer is building its business around information rather than just insurance. Its main differentiator and source of value is its in-depth knowledge of its customers. People within the company are encouraged to think in this way and are rewarded for how well they act on this information and insight.

Technology is at the centre of the company’s ability to reinvent itself and increase its market share over the past decade. The development of sensor technology has allowed the business to move from vehicle-based to usage-based cover and create more precise risk pricing. If drivers are a low risk they can qualify for a discount, which encourages safer driving.

Smarter business intelligence
Embedding analytics at the right granularity, speed and precision would foster faster and smarter decisions across the organisation, enabling you to profile customers more precisely.

The businesses that are leading the way are focusing on how to make sure the entire organisation is digitally literate. Marketing team members are comfortable with big data decision making, for example. In turn, IT people are aware of marketing and product development demands as they look at how to turn the surge of data into commercial insights.

While most FS organisations are looking at how to increase their capacity to mine and analyse (‘bottom up’), better results are coming from adopting a more focused top-down approach, which identifies the key questions that should be addressed. Examples might include determining what service elements customers prize and are therefore prepared to pay a high margin for as part of a more precise approach to segmentation, pricing and service design.

Managing at the pace of network interaction
The ability to analyse payment, social media and other digital trails would fasten decision making by enabling your business to anticipate demand and proactively shape product, marketing and public relations strategies. The new social media command centres being set up by a number of banks allow them to see what customers are thinking in real-time and respond instantaneously.

The need to monitor and influence the new social-ecosystems is heightened by the speed with which dissatisfaction can go devastatingly viral. As uncertainty and upheaval become the norm, the ability to monitor emerging threats, mobilise quickly and communicate effectively are therefore going to be crucial. Public relations will be broadened beyond the traditional media to embrace social media and other new consumer networks.

More than 70% of FS CEOs recognise the need to satisfy societal needs, balance the interests of all stakeholders and protect the interests of future generations

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7 338 FS CEOs were polled as part of 17th Annual Global CEO Survey Fit for the future: Capitalising on global trends, PwC, 2014 (www.pwc.com/ceosurvey)
Engaging with a broader set of stakeholders
As social responsibility becomes an ever greater priority, leading organisations are looking at what new roles and engagement capabilities will be needed. This includes working more closely with governments, academic institutions and communities as they look at how to bring mutual objectives closer into line. As a result, community and government engagement teams could become as important as investor relations, rather than operating at the periphery of the organisation.

At a time when governments are intervening more directly in the economy, the benefits of this engagement include helping to make sure your strategy anticipates and is aligned to government priorities and investment plans. You can also work with governments and education providers to foster the skills you will need in the future – more than 60% of FS CEOs see this as a priority for their business. Opportunities range from internships to helping to shape the curriculum.

An acid test for social responsibility will be how your company responds to widespread job losses as more and more of your routine processes and customer interactions are automated. It’s no longer possible to ignore the impact on jobs and communities. Plans for redeployment, community enterprise and investment are therefore essential elements of automation strategies. Investing in enabling staff to develop new skills and re-enter the workforce will greatly enhance your reputation, brand value and long-term commercial potential.

Adaptable organisation needs all-round athletes
The more flexible, customer-centric and socially engaged organisation demands fewer people with specialist product expertise and more people with a broad range of skills. These people will have the varied technical skills and multi-industry experience to move easily between clients, countries and assignments.

Partnership as a core skill
As collaboration with joint venture partners, tech start-ups, communities, governments and third-party providers becomes ever more important, partnership will become a core skill. Key priorities include the ability to communicate and align objectives. We’re seeing significant movements of staff from client to service provider or from one joint venture partner to another.

This exchange of experience and ideas is not only good for corporations and society, it also benefits employees who now see career paths opening up beyond the boundaries of their organisation. Some of the closest partnerships are between FS and technology/information firms and we’re likely to see an increasing blurring of the lines between these two types of organisation.

New skills to compete in maturing markets
As more low value retail business is automated, the priority within many organisations is already shifting to devising solutions for more complex needs such as pensions and mortgages (‘consultative selling’). Complex interactions with more significant outcomes will demand fewer but better trained people.

As populations age, it will also be important to develop the skills needed to help people fund longer retirements. This includes the management of higher yield investments and how to manage tax and legacy arrangements.

One step ahead of cyber threats
As more and more business moves over to online and mobile channels, fraud vulnerabilities increase. Indeed, many now see a major breakdown in cyber security as the source of the next financial crisis.

Our research shows that compliance is still the biggest driver for information security spending in FS.9 By simply adhering to regulatory rules, you’re going to find it difficult to keep pace with the constantly morphing cyber threats you face. Cyber security is most effective when it’s everyone’s business, rather than just IT.

61% of FS CEOs see cyber insecurity as a threat to their growth prospects

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8 338 FS CEOs were polled as part of the 17th Annual Global CEO Survey Fit for the future: Capitalising on global trends, PwC, 2014 (www.pwc.com/ceosurvey)
9 993 board executives and directors of IT and security from the financial services industry were interviewed for the Global State of Information Security® Survey 2014, a worldwide study carried out by PwC, CIO magazine and CSO magazine (please see http://www.pwc.com/gx/en/consulting-services/information-security-survey/download.html for financial services and cross-industry findings)
Key priorities include identifying and focusing resources on the 'crown jewels' most in need of protection. It's also important to carry out more frequent risk assessments to keep pace with the ever changing threats.

3. Decisive: Big can also be fast

Managing at the speed of change

The need to lead rather than follow calls for a move away from long and sweeping business planning cycles, in which executives set direction and stake their reputations on the success of its execution, to a faster changing and data-led iterative approach to meeting customer demand. Your organisation would monitor digital signals, test, take on feedback and shift in a model similar to that used by many of today's telecoms and technology companies.

Medium-term planning, which typically extends the status quo with some modifications, will give way to a constant process of 'creative destruction' – identifying the new entrants and emerging business models ('fiercest competitors') that could marginalise your business and then addressing the vulnerabilities. In a marketplace where market share is going to be far less stable and even subject to sudden shocks, the results would enable your board to challenge conventional assumptions and accelerate the pace of innovation.

Central control would still be exercised over decisions that could impinge on your brand, budget, risk or compliance. But as long as the right values are embedded within your organisation, appropriate control need not erode autonomy over customer strategy and management. Indeed, the more confident you are that your employees are acting with the integrity and insight needed to put customers first, the more licence you can give them to make decisions and capitalise on opportunities.

The two-pronged decision-making model requires significant change in management thinking. While a number of organisations are seeking to create clearer and more consistent accountabilities across business unit, product and geographic operations, a lot more work may be needed to take account of what is both a governance and cultural shift.

Breaking down siloes

While many FS organisations are looking to eliminate complexity and are shifting operating models from product to client focus, many are still organised around product siloes, which make it difficult to meet multiple customer demands and drive cross-selling goals. The siloes can also make it difficult to execute enterprise-wide initiatives, such as cost reduction or harmonisation of technology platforms. The operational separation between design, marketing, distribution/trading risk and compliance requires a more collaborative approach, in which personnel come together to understand and develop solutions to meet customers' needs.

Operating through separate siloes also raises fixed costs by making it difficult to switch people and systems onto other tasks. Companies with more adaptable people and support functions have found it easier to redeploy resources than those with highly specialised capabilities.

Developing an organisational baseline

As part of a large cost transformation programme, a global FS group shifted a considerable amount of work to lower cost locations. To inform the planning, the group carried out activity analysis to chart the roles and responsibilities of its global workforce. The results were used to create a baseline for setting cost targets and defining the future organisational model including shared delivery centres, regional centres of expertise and external service providers across multiple locations. Today, this baseline is used as a key input into the development of future global workforce plans based on alternate future talent demand and supply scenarios, such as changes in business model, workforce demographics and anticipated attrition. The baseline is also being used to define some of the future capabilities the group will need and determine appropriate talent strategies. While the organisational baseline is not a solution in itself, the commitment to defining and maintaining a clear reference point has enabled the group to more proactively respond to the constant change in its internal and external environment.
Building an adaptable organisation
A leading hedge fund is looking to build plug and play into its organisational and job design by making the rotation of people between front and back offices an intrinsic part of employee development and broader culture. This has enabled staff to develop an end-to-end view of the hedge fund value chain, which accelerates the identification, analysis and implementation of changes in strategy, business and organisational model.

4. Agile: Maximising freedom of manoeuvre

Managing allowable costs
As you strive to control costs on the one side and invest for the future on the other, the real question is not what costs you cut, but what you maintain and why.

The most enduring savings have come from looking at costs strategically rather than seeking arbitrary cuts. This includes determining what costs are allowable and how to make sure that resources are focused on key competitive priorities. For example, if regulation, easier comparison and/or pressure from new competitors have shaved 40% of your margins, then cutting administration expenses by 10% isn’t going to make the business sustainable.

Key priorities include ensuring processes are scalable and cost-effective. It will also be important to create simple and flexible capabilities that can be easily switched and adapted.

Simplification and rationalisation will open the way for a fresh wave of automation and outsourcing. If certain activities are still uneconomic through human input, they could still be profitable if run from machine to machine. This would have the additional advantage of freeing up employees for more complex and higher margin activities. There could also be opportunities to create best-in-class service operations, which could be used by other institutions in a utility model.

Standardisation opens door to more shared service operations
Better communication around the organisation will open up opportunities to develop shared service operations for areas that might have been distributed around a variety of local offices, such as compliance and operational risk. The keys will be greater process standardisation and consistency in how common demands are managed.

Rethinking where and how you operate
Just as organisations follow their customers and key sources of growth, so should executive leadership. As a result, we’re likely to see more boards relocating to fast growth emerging markets.

With more than 50% of graduates aged 25–34 likely to be living in lower cost emerging markets by 2020 (includes China 29%, India 12% and Indonesia 6%)\(^\text{10}\), it would make sense to tap into this pool by redistributing operations to these markets.

Team value has in the past been limited by the expense and logistical problems of bringing people together. But increased use of network technology for communication and collaboration means that you can mobilise virtual teams quickly, efficiently and to greater effect.

The challenge for management is how to become more comfortable with the virtual workplace and the opportunities to reduce costs and enhance flexibility it opens up. This includes less travel and physical secondments and an improved ability to work on several assignments at once.

Plug and play
Shifting to an adaptable and transferable ‘plug-and-play’ organisational model would make it easier to move people and operational support around to capitalise on emerging opportunities and disassemble them efficiently as demand dictates. Some of your people could be working on a loan book evaluation for an acquisition in Africa on one week before being reassigned to...
set up a new credit business in the Middle East, for example. Making this work requires a clear inventory of what skills are needed and what exist within the organisation and outside.

**Getting used to more than one boss**
This more flexible model will see more people brought in on an as per need contract or freelance basis, which can create challenges for loyalty, engagement and career development.

As people move around, management will have to become more comfortable with not ‘owning’ their people. In turn, staff will need to get used to working with many different managers and take more responsibility for the development of their careers.

The strength of your core values, expectations and culture will be crucial in creating a shared sense of purpose and identity within this more fluid and disparate organisation.

**Career paths extend across geographies, industries and companies**
The need to understand and engage more closely with customers and communities could in turn see more people brought in from clients and governments. Eventually, moving back and forth between client and FS provider is going to become a normal part of the career path.

**Reflecting the people you serve**
Customers naturally want the most effective products and best people to manage their money. But they also want to deal with people they can relate to and who instinctively understand their particular needs and aspirations. Some FS organisations are responding by matching customers with relationship managers and financial advisors of similar background, age, gender and/or ethnicity. Examples include hiring doctors to manage relationships with healthcare clients or bringing in people from the home markets of high net worth expatriate customers. While this matching of the client coverage model is not realistically scalable in all instances, we believe that all FS organisations will need to challenge their assumptions about best producers, best advisors and best relationship managers to reflect the realities of an increasingly micro-segmented customer landscape.

**Attracting people from different backgrounds**
As analytical, cyber security and other digital skills come to the fore, many organisations are beginning to bring in more people from outside FS. Examples include recruiting people from digital start-ups, internet providers or those with intelligence backgrounds.

As many businesses move back to basics, it may not be necessary to hire graduates from the traditional preferred universities. There may be desirable candidates from other universities or backgrounds who may actually prove more attuned and adaptable to the needs in hand than their elite counterparts. Today, we see a number of FS companies developing closer links with academic institutions to influence the design of university curricula. Looking ahead, the partnership between education and FS is likely to include the development of more vocational and continuous learning programmes as FS staff look to adapt their skills to changing demands.

**Remotivating your people**
Money has been the main driver for recruitment, retention and motivation within the FS sector. In many ways, it also has been a surrogate for engagement. But there are no longer the returns to sustain this.

As money ceases to be the main driver of recruitment and retention, it will be important to develop a new employee value proposition that matches financial and non-financial rewards. This includes offering broader career paths and greater workplace flexibility.

As workforces become more mobile, organisations are looking at how to make retention strategies more pragmatic by focusing more closely on the talent they most want and can realistically expect to stay. Others can be kept close as part of an ‘alumni network’, which can project your culture in the marketplace and provide a source of talent for future recruitment, once they have gained experience elsewhere.

5. **The right people: Bringing skill sets and rewards into line with the new marketplace**
It’s important to identify the pivotal jobs within the new market realities. Examples might be analytical or client-facing roles. You can then make sure that people in these positions have all the training and technological support to maximise the value they deliver.
Managing a contingent workforce
As the adaptable plug-and-play model takes hold, it will be important to look at how to manage this mobile and flexible workforce in the most efficient way. Options include creating an open market for assignments in which people from within and outside the organisation apply and compete for postings and projects. Bids might come in on an individual basis – $500 per day for a compliance professional, for example. A manager or contractor might also bid for the entire task and take responsibility for hiring and project delivery – $500,000 for implementing a new system over 18 months, for example.

Rethinking value and reward
In the past, success in the market was attributed to the individual skills and experience of the employee and rewards have reflected this. But the vital importance of connections with customers, suppliers and new information sources means that employee value is now less dependent on their personal skills than the strength of the brand and the digital infrastructure that surrounds them.

A particular challenge is how to assign customer sales or satisfaction to the input of a particular individual or team for performance measurement and reward when customers now interact over so many different channels. A number of techniques are emerging to measure each channel’s contribution. The basis for measurement includes revenue conversion rates, weighted attributions and sophisticated algorithms. Even with this assignment, we’re likely to see a move towards more team-based and other collective bases for reward designation.

Similarly, it’s generally assumed that employee value increases with experience. But as part of the ‘rise of the wise young people’, today’s networked employees are able to acquire new skills much more quickly and make use of technology to supplement any gaps, making the rewards for seniority and experience less relevant.

More than 80% of FS CEOs see improving workforce and board diversity as important to their business. But gaps remain. Women hold less than 20% of senior positions in FS, for example, despite making up around half of the overall workforce.

As you look at how to put pay on a more sustainable basis, it will therefore be important to ensure that reward assumptions reflect these developments. In particular, what conventional compensation surveys indicate is the going rate may not reflect how much value people deliver in this changing marketplace. An important priority will therefore be the move from ‘mark-to-market’ pay scales to a ‘mark-to-value’ approach to reward in which staff are paid in line with the pivotal importance of their role and their contribution to customer understanding, sustaining relationships and other sources of long-term value creation.

Embracing diversity
As your business becomes more customer-centric, it will be even more important to make sure the make-up of your workforce reflects the increasingly diverse characteristics of your customers.

More than 80% of FS CEOs see improving workforce and board diversity as important to their business. But gaps remain. Women hold less than 20% of senior positions in FS, for example, despite making up around half of the overall workforce. The way your business is organised should also reflect this growing diversity – five generations in the workforce as populations age being a clear case in point.

11 Mending the gender gap: Advancing tomorrow’s women leaders in financial services, PwC, May 2013
Laying the foundations for organisational renewal

Winning organisations will have clear insights into where in the complex new value chain they’re best able to compete. They will be using the latest developments in technology to enhance customer profiling, improve customer experience and reduce costs. They will also be able to make and enact decisions quicker than their competitors, even if they occasionally get it wrong.
So how can you judge what’s needed and lay the foundations for change? From our wide-ranging work with FS businesses in planning their organisational strategy for 2020 and beyond, we’ve identified the key considerations for preparing and beginning to put in place an effective blueprint for change:

**Vision**
1. Define the purpose, vision and values needed to take your business forward.
2. Assess whether these driving goals are compelling to your stakeholders.
3. Assess how to translate these driving goals into the way your people work and engage with customers and each other.

**Capabilities**
1. Develop a clear understanding of potential future industry scenarios.
2. Assess how future industry scenarios will affect your business model (strategy, markets, clients, channel, products and regulatory environment).
3. Define the core capabilities needed to execute your future business strategy.

**Governance and decision rights**
1. Map existing decision-making roles, processes and accountabilities.
2. Identify changes in the way decisions are made.
3. Determine impact on existing governance, oversight and accountability including committee structures and reporting lines.

**Organisation**
1. Map and evaluate existing organisational model including functions, structure, roles and headcount.
2. Assess the impact of changing strategies and customer demands on role and value delivery of central functions.
3. Define changes to organisational model, including role of shared services or centres of excellence, decentralised and centralised functions and location strategy.
4. Chart current process and technology architecture.
5. Analyse changes required to core processes, systems and tools.

**Talent**
1. Map and evaluate existing talent strategy and programmes.
2. Identify changes required in talent strategy (build, hire or contingent).
3. Analyse impact of changes.
4. Develop and implement change plan.

**Successful execution**
Our experience of the challenges organisations face in planning for and executing the changes, highlights the importance of choosing leaders with the appropriate skills, experience and mindset, and freeing them up to steer the transformation. It’s also important to agree a realistic planning horizon (generally three to five years), ensure the exercise is not overly reliant on future technology and embed the organisational rethink into wider strategic and business planning processes wherever possible. Working sessions, accelerated design prototyping, crowdsourcing and other techniques can be used to gather, test and evolve ideas.

Reinventing the organisation isn’t going to be a one-off. It’s going to be a way of life in a world that is constantly shifting. The benefits include creating an inspirational organisation that can attract and retain the best people and is fully equipped for the competitive battles that lie ahead.
If you would like to discuss any of the issues raised in this paper in more detail, please contact one of the following or your usual PwC contact.

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