The 2017/18
Global Financial Services
HR Leadership Survey

January 2018
The Human Capital Specialists
Executive Summary

It remains a tough environment, yet one with positive signs of improvement

Between June and November 2017, Leathwaite polled in excess of 800 global Human Resources (HR) executives currently operating in HR leadership roles within Financial Services (FS). Respondents included Chief Human Resources Officers (CHROs), Heads of Specialist Functions (including Talent, Reward, Learning and Recruiting) and those at the vanguard of HR Transformation (including HR COOs and Heads of Analytics).

Core themes and findings that have emerged through this research are characterised as below:

Cost is key
FS HR remains a function under pressure, with less than 20% of respondents predicting increased HR headcount for the year ahead and 38% predicting a reduced HR headcount. In-keeping with this theme, 84% of HR professionals polled believe that HR budget will be “flat” or down on last year’s number.

But growth is back on the agenda
However, selected evidence suggests that whilst HR in FS has been consumed with what are largely “defensive” practices in recent years (cost reduction, regulation, headcount rationalization), we may be beginning to see signs of change; that 16% of people foresee an increased HR budget is in isolation, unremarkable, yet this is more than double the equivalent percentage in last year’s survey (7%). This comparative positivity is also illustrated by the Top 3 business challenges facing organizations in the year ahead. Cultural Change (#1 last year) is again a Top 3 priority, emphasizing what a critical long-term battle the topic has become for the sector. Culture is joined by Digitization (#6 last year, #1 this year) and Talent Acquisition (#10 and bottom ranked last year) as priorities – topics that imply growth and positive organizational change.

Regulation is no longer all-consuming
The notion that HR is moving towards a more positive place is evidenced by the apparent reduction in priority of regulation. Second only to Cultural Change in last year’s survey, Regulatory Change ranked only 7th on this year’s list. This indicates that either regulation is so woven-in to the HR psyche nowadays so as to not be considered a priority, or indeed that FS HR has finally “broken the back” of people-related regulation. Consistent with this notion, regulatory knowledge was ranked the least pertinent characteristic for a successful CHRO.

Cash Culture is king
Culture is again a dominant theme. Besides Cultural Change being ranked as the #2 Business Priority (#1 last year), the Chief Culture Officer was deemed one of the Top 3 future HR leadership team members (alongside Chief Data and Digital Officers). Supporting the notion that Culture is not only a risk-manager against sins of the past but also a strategic weapon in the war on talent, it was also cited as a Top 3 attraction-factor when HR professionals consider moving role. Respondents also ranked Engagement as #2 in the Top 3 growing areas of HR, followed by Data.

Technology drives it all
Technology is a theme that unsurprisingly threads the whole survey together, with 94% of respondents having undertaken (or planned) a core HR technology platform implementation. The rise of emergent HR technologies (such as AI) is seen as a Top 3 factor to influence the work HR carries out as a function. Perhaps illustrating that most HR professionals see technology as an enabler rather than a threat (or indeed do not want to consider the latter option) just 2% on a 10 year horizon saw AI/Robotics as a material threat to the work they do.
Q1: Please outline the industry segment most suited to your organization.
72% of FS HR functions surveyed report into the CEO. Of non-CEO reporting lines, the COO is the next most common (14%).
98% of respondents reporting into the CEO felt HR was positioned correctly, whereas of the people not reporting into the CEO, only 40% felt it was positioned correctly.
Q5: Do you feel the deliverables of HR are clearly understood by your organization’s board?

Of the respondents who feel the deliverables are understood, 78% report into the CEO. Similarly, 84% of respondents reporting into the CEO feel HR is valued in the organization.
Q6: Do you feel HR is appropriately valued within your organization?

Communication is key:

Of the respondents who feel the deliverables are understood, 75% also feel HR is valued. Of the respondents who do not feel deliverables are understood, only 28.6% felt it was appropriately valued.
Q7: What are the top 3 business challenges facing your organisation over the next 12 months?

In comparison with prior years, the top three priorities are arguably more “positive” practices than previously, perhaps indicating the end of pure cost-reduction and service-compromise, from an HR perspective.
Digitization is consistently a top priority across all industries. Whilst talent retention is seen as a top priority for corporate and investment banking, this is offset by talent acquisition being a top priority for asset and wealth management firms. This could suggest talent may be flowing from mainstream banking toward theoretically smaller, more nimble organizations.
Q8: Based on your opinion, rank the following areas for improvement within your organisation.

Leadership is a top area for improvement followed by engagement and clarity of company strategy. Supporting the notion that FS is not short of well-paid intelligent people, technical skills and compensation are at the bottom.

Technology as a Basis for HR Improvement

Q9: Based on your opinion, rank the following areas for improvement within HR at your organisation?

Unsurprisingly, Technology is listed as the critical area for improvement.

However, perhaps illustrating that IT alone will not win the war, leadership development within HR is seen as an area for improvement.
Q10: Has your organization implemented a systems based HR transformation or are you planning on doing so in the next three years?

More than 80% of those surveyed within the FS market have or are planning to undertake transformational IT change in the HR space.

The Future of Work is Coming (and so are the Machines)

Q11: As an HR professional, rank the top three trends you foresee as having the greatest impact on the work you do within your organization in the next 12 months?

The “gig economy” moves from #2 (16/17) to the #1 impactful trend in this year’s poll.

The use of Technology (such as AI) for changing and managing HR processes is ranked as #2, an improvement from #4 last year, indicating that emerging technology is growing in importance.
Q12: To what extent are you concerned that your role today will be performed via AI/Robotic Process Automation in 10 years’ time?

Despite the outputs of question 11, only 2.2% of respondents were very concerned their roles would be performed by AI/Robotics in the next ten years, with 74% not concerned at all. This would suggest HR professionals are open to technological change and see it as a supplement to HR rather than a replacement. People are still critical.

Capture, Measure, Build

Q13: Based on your opinion, rank the top three fastest growing areas of HR in the next 5 years.

With the rise of the gig economy, FinTech and numerous other avenues now open, it is clear that FS is far from the “go to” destination for talent. As such employee engagement will become more and more critical.

As HR moves into a more data-driven operating space, it is no surprise that Data is cited as the #1 growth area for the next 5 years.
Q14: Which of the following HR roles do you see as having greatest potential to be an HR leadership team member in the next 3-5 years?

Almost 1/3 of respondents believe the Chief Culture Officer would be a credible future HR leadership team member (e.g. a direct report of the CHRO), indicating that the growing prominence of Culture could lead to it being carved-out from Talent or D&I, where it often sits today.

Unsurprisingly, Chief Data & Digital Officers are also deemed credible suggestions.
81% believe HR headcount will remain static or decline in the coming year, perhaps as a by-product of the technological advancements cited earlier in the study.

**Q15:** What is your expectation of HR **headcount** within your organization over the coming 12 months?

But Increased HR Budgets Apparently Do Exist

**Q16:** What is your expectation of HR **budget** within your organization over the coming 12 months?

// Similarly, whilst increased HR budgets are also in the minority, 16% predict an increased HR budget pending. This is over double the estimate from last year.
Q17: As an HR professional, which of the following would most interest you from your employer over the next 12 months?

Flexible working remains a key area of interest for FS HR employees, a practice the industry has historically been less than progressive with.

Q18: If you were to leave your current organization tomorrow, rank the following industries in order of attractiveness to you.

Underlining its talent-threat to mainstream Financial Services, FinTech would be the #1 destination of choice for FS HR professionals leaving their current role.
The “Magic Sauce” for Attracting HR Talent - a Strong Culture in a Firm that Values HR and has a Solid Brand

**Q19:** If you were to leave your current organization tomorrow, rank the most attractive elements of a new role in HR.

![Bar chart showing rankings of attractive elements in HR](chart1)

**What an HR “Athlete” Looks Like - a Commercial Stakeholder with Strong Leadership Skills**

**Q20:** From the characteristics below, which do you rank as the top three for a successful HR Leader / CHRO?

![Bar chart showing rankings of characteristics](chart2)

// Whether or not the CHRO needs to have been “in” the business previously (of which there are increasingly strong examples), understanding how the P&L is constructed and thus making commercial decisions that can influence this, is cited as the critical trait of a CHRO.
Summary & Conclusions

In reacting to permanently altered market structures, declining lines of business and associated shifts in market share, Financial Institutions have been assertive in managing the cost base of Infrastructure (non-revenue) functions. Whilst some would argue this is long overdue and that more is required, HR has arguably felt the force of this rationalization as acutely as any peer function across Infrastructure. Executing such cost reduction plans (where people and headcount are concerned) whilst you as a function are facing your own cost / headcount challenge, can make operating in a global FS organisation as an HR professional feel like a lonely place indeed. However, this year’s survey indicates that firms are not purely engaged in a “race to the bottom” to try and re-capture Return-on-Equity levels of a bygone era. Hiring and selecting disruptive and innovative talent has never been as important, as traditional institutions react to the threat posed by digitally-born competitors, whilst Culture is emerging as a strategic edge that is far harder to replicate by competitors than any product or service. HR can lead from the front on both of these topics. With Technology playing an increasingly dominant role in the lives of FS HR professionals, the clear hope is that when correctly applied, this will give the FS HR professional further freedom for processes that add-value and imply growth, in future.

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Leathwaite was established with one clear purpose: to help organisations secure the best Human Capital within Support, Enablement & Control Functions.

This is done via 4 solutions, 4 offices, 100 people and over 130 clients, globally.

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