

HEIDRICK & STRUGGLES

# As Banks Go Digital

Rethinking the Talent Model in  
a Period of Banking Reform

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At Heidrick & Struggles, we work with thousands of organizations across the globe, from established multinational corporations to disruptive start-ups. Over the past decade, we have helped a number of innovative firms advance their digital agendas. Through 2014 we have seen the pace accelerate, as more boards and executive management committees have made digital innovation a top priority. This is true across all industries, but particularly in Financial Services, where the digital agenda is a key part of most business leaders' overall strategic agenda. If "commercially savvy" was the clichéd adage for hiring over the last decade, financial services firms are now requiring their executive hires to be "digitally savvy" as well.

In this paper we reflect upon some of the factors behind this phenomenon and discuss the talent available to meet the new requirements.

### The Emerging Landscape

In an article published only twelve months ago in the *Financial Times* ("Banking is heading towards its Spotify moment"), Peter Sands, Chief Executive of Standard Chartered Bank, wrote that "Banking is very 'digitizable'" and concluded that "accelerating technology-driven innovation is a top priority." Similarly, within the last twelve months, Antony Jenkins, Chief Executive of Barclays, observed that as branch banking declines in favour of online and mobile banking, "Innovation will be a key driver of success in our business" (Barclays Strategic Review,). It seems that the need to embrace the digital agenda has finally caught the attention of global banking leadership in 2013. Within the last few weeks Lloyds Banking Group has also made its digital strategy the centrepiece of its three-year plan amid its strategic redirection from branch banking to online banking.

Why now? Other industries and even some components of the financial services industry started down the digital path several years ago. In 2005, Sean Park, then head of Digital Markets at Dresdner Kleinwort Wasserstein, astounded many when he speculated about how traditional financial markets might be disrupted by technology (the visionary concept of "AmazonBay"). Only nine years later, what seemed revolutionary to many at the time, now seems very plausible.

With that in mind, we examined what forces have brought digital to the fore in the last couple of years.

### Transformation Drivers

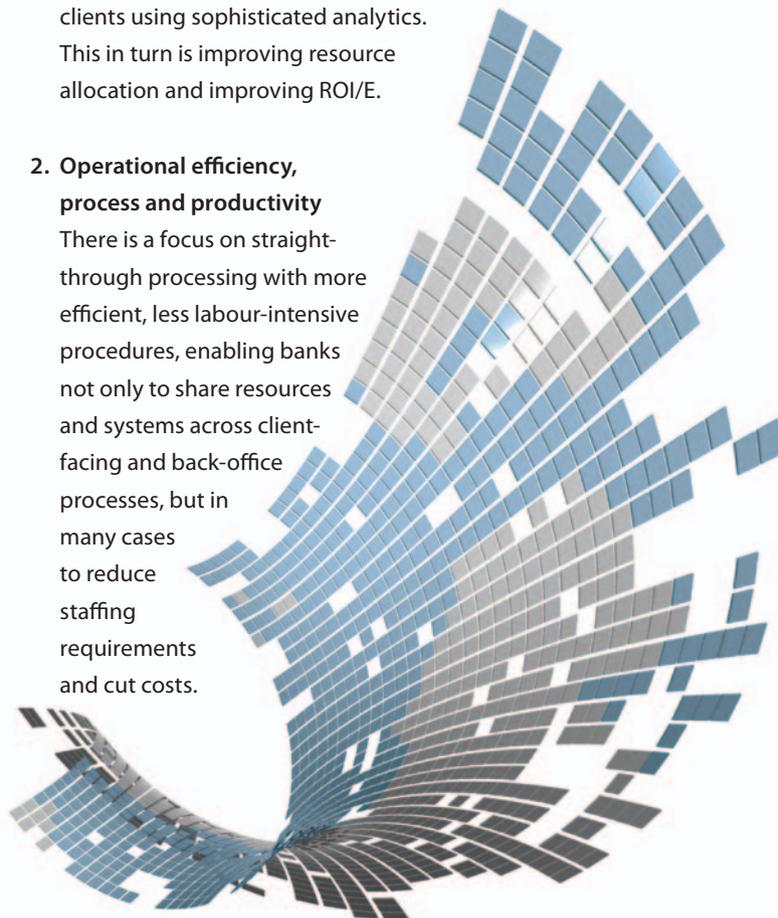
Our experience shows that three main factors are driving banks to embrace digital innovation:

#### 1. Client experience and engagement

This has become one of the most powerful drivers of digitisation. At home or in the office, in business or the social sphere, customers expect whatever they do to happen instantaneously with a click of a button. In providing customers with the kind of service they have become accustomed to in other areas, banks also improve their ability to segment clients using sophisticated analytics. This in turn is improving resource allocation and improving ROI/E.

#### 2. Operational efficiency, process and productivity

There is a focus on straight-through processing with more efficient, less labour-intensive procedures, enabling banks not only to share resources and systems across client-facing and back-office processes, but in many cases to reduce staffing requirements and cut costs.



### 3. Business model transformation

Digitizing everything from payment platforms to online client portals also helps universal banks join their disparate divisions together and enables digital business to break down barriers between previously siloed groups. Much of this change has been motivated by emerging non-traditional market participants who are disrupting the established view of the banking environment.

The digitisation process frequently begins with one of these three drivers and then spreads to the others as it evolves. The talent required for each is somewhat different. As this is still a nascent process within the industry there is not a depth of existing talent from which to seek guidance.

## A Slow-Changing Industry on the Brink

During a lethargic 15 year journey, the component parts of what we now consider to be digital banking (i.e. Trade Execution and Marketing) were addressed in a piecemeal fashion, where digital was seen as another market channel, not a new market in its own right.

Now, however, the entire banking community is starting to recognise the need for that “Spotify moment” referred to by Peter Sands in the article quoted above. The financial services industry must redefine what banking means to the customer and how customers interact with their bank.

The speed with which electronic trading has penetrated global markets and its infrastructure demonstrates that digital transformation can be achieved. As many institutions invested heavily in acquiring technology in 2010, the markets thrived. Unfortunately, the overhaul of client interaction processes was carried out at the business unit level rather than at the enterprise level. As a result, some products and asset classes redefined their client connectivity while other business lines were left behind and are only now starting to catch up. Small pockets of siloed talent were established, expert in narrow functions and business lines but without a scalable, enterprise-wide approach.

Fast forward to present day. Banks are starting to integrate digital business — not just marketing or trade execution — into their commercial and

operational models. Many of the big banks are exploring how to build group-wide structures that complement traditional business designs. Of course, different financial institutions are addressing these challenges in distinct ways, motivated by varying operating structures, business methods and digital philosophy. Whereas digital expertise has historically resided in pockets lower down in the organization, it is now required in the boardroom and on the executive management committee.

From 2012, Heidrick & Struggles observed a significant increase in requests for new digital talent (executive and non-executive) from our financial services clients in the United States. Over the last year the same theme has emerged in Europe, the Middle East and Africa. So where does this talent come from?

## Hiring Digital Talent

Identifying, hiring, integrating and retaining digital talent is fraught with challenges, especially in a tight and evolving regulatory environment, if engaged tactically and reactively

In order to find revolutionary and digital subject matter expertise, the banks need to look to hire beyond the usual familiar hunting grounds to industries that are further along the path to digitisation.

Many banks are instinctively looking to hire talent from organizations that were “born digital” — companies such as Amazon, Apple, Google, eBay, PayPal, Yahoo! and Facebook. However, there are many execution risks attached to this strategy. Firms that grew up digital never had to tear up the rulebook because, unlike financial institutions’ daily experience of regulation, no rulebook existed. This is not always a productive background in a sector that has a rule book with an ever-increasing appendix attached to it. Talent from these sources are likely to “bounce out” of a bank unless a carefully calculated integration plan has been drafted in advance. Of course, exceptions within this group do exist. Those organizations that didn’t succeed with their first strategy, but rather with their second and third have produced some adaptable and versatile talent that could be ingratiated successfully within the financial services.

Attracting digital leaders who are versatile and adaptable will require the banks to create a culture that embraces these individuals and enables them to be productive for the firm. It requires a well-defined and clearly communicated strategy.

It is important to keep in mind the three drivers discussed above. The best digital leaders must be focused on the customer while possessing the business sense to drive operational change. Incoming talent must have the capacity to navigate complicated organizational structures and challenge the status quo in an environment that has not typically been open to new ideas.

Our focus goes beyond the executive search process to include structural and cultural review, stakeholder engagement and helping our clients define the most appropriate talent strategy.

If your own business is grappling with the challenges of going digital, we would be delighted to share our insights with you. ■

## HEIDRICK & STRUGGLES

Heidrick & Struggles is a premier provider of senior-level Executive Search, Culture Shaping and Leadership Consulting services. For more than 60 years we have focused on quality service and built strong relationships with clients and individuals worldwide. Today, Heidrick & Struggles leadership experts operate from principal business centres globally.

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