

The future of financial services:
how work is impacted by the connection and convergence
of people and technology

The future of leadership

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Where are we now?

Before discussing the future of leadership, we should take a moment to reflect on where we are now. So, let us consider that, in our most recent Global Workforce Study, only 55% of all financial services employees have trust and confidence in the job being done by the senior leadership of their organisation.

38%

of financial services employees don't think senior leaders are doing a good job of growing the business

Only **44%**

of financial services employees think their leaders are doing a good or very good job of developing future leaders

43%

of financial services employees say that senior leaders don't do a good job of managing costs

Only **56%**

of financial services employees believe the information they receive from senior leadership

Only **49%**

of financial services employees believe their organisation has a sincere interest in employee well-being

Source: Willis Towers Watson 2016 Global Workforce Study

Although many of these results compare favourably to other industries, financial services employees are demanding better leadership.

Leaders, however, have a tough job – and one that is only set to get tougher. The world is changing, work is changing and we are at the beginning of a fourth industrial revolution. Technological advances such as AI and robotics are already disrupting almost every industry and to master this new digital world, leaders must be agile amid disruption. Indeed, those occupations and specialties most in demand today did not exist 10 years ago. In fact, 65% of children entering primary school today will end up working in jobs that don't yet exist¹. We are living in a VUCA world. Leaders are leading in a VUCA world. For those of you unfamiliar with the acronym, VUCA stands for volatile, uncertain, complex and ambiguous. Starting to sound familiar?

Additionally, the demographics of organisations are changing and younger generations are starting to emerge as the dominant force in most organisations, introducing another set of challenges. Our clients recently discussed this topic at a roundtable event and described how “a large chunk of the workforce feels they have a more relevant understanding of their markets and clients than their leaders” and are “full of fresh ideas” that reflect this. They are, consequentially, often “dissatisfied with decisions that current leaders are taking”. This can be particularly pertinent amongst cultures where an approach of ‘this is how we've always done it’ is ingrained. The outcome is often a disengaged workforce that eventually leaves and this is not good for business.

¹ World Economic Forum, 'The future of jobs', January 2016

Looking forward, what do we need to do differently to identify and develop leaders who will not simply survive in this new world, but thrive? We believe that assessment models focusing on impact will help drive innovation in future talent management practice.

Solving the problem of potential with impact

How to best identify high potential individuals has been the subject of debate among HR and leadership teams for years. These debates often rightly start with the question 'What is potential?' Where teams fail to define this, they will also fail to measure it. In an effort to support organisations with this problem, a number of generic models of potential have been put forward over recent years. While such models can be incredibly useful, their major drawback is their inability to cope with diversity in future leadership or change within the organisational environment of which, we've established, there is a lot.

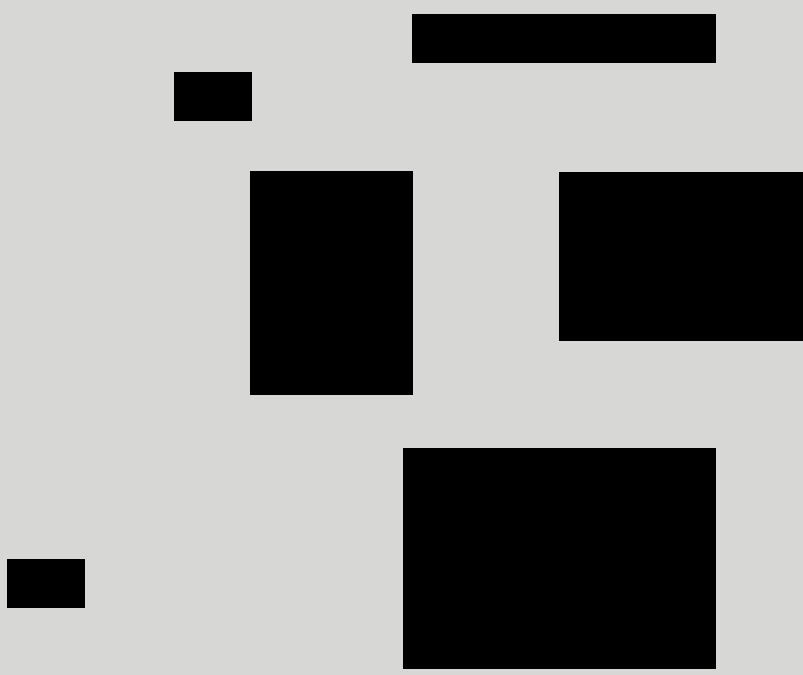
Generic measures of potential may help organisations identify future leaders, but they fail to provide an understanding of the sort of leadership roles to which those identified would be best suited. This is problematic for the individual and the organisation as both parties start to map out the future.

The impact model of leadership provides a solution to this problem. Rather than seeking to establish what potential looks like in a generic sense, by asking 'Where must our future leaders have impact?', organisations are able to

define what their future leadership should look like in a way that links directly and tangibly to organisational outcomes. Assessing individuals against this framework not only identifies potential future leaders, but enables the development of specific career pathways and development plans tailored to these.

Using impact in succession planning

Succession planning is an exercise that brings its own challenges. It is fundamentally a question of what talent is needed and what talent is available? The practice, however, can encounter any number of problems along the way to answering these relatively simple questions. Firstly, much activity in this space is positioned in a way that associates it with a current leader's organisational mortality and so, therefore, becomes inherently sensitive. It can then be much more difficult to engage with and appropriately advise leadership teams in the exercise. Secondly, there is the issue of defining critical roles and scoping out what these might look like in the future. While we might have a good go at predicting the future, it is still an uncertain place and where many succession plans fall down is in their lack of flexibility here. Effective succession plans are as dynamic as the world around us. Finally, there's the problem of successor identification itself. Leaders often fall victim to mistaking success at one level for success at higher levels (the classic example is promoting a successful sales person out of the role in which they excel and into management). And of course, we must not forget the bias that creeps in; leaders often demand to be able to see themselves in their successors.



By using impact to frame conversations about succession and what talent is needed in the future, it is possible to create plans that are fluid and adaptable, but also objective and possibly even less sensitive and, therefore, more widely accepted by the organisation. And, of course, by using impact to assess for potential, you have the winning combination.

Leadership development for the future

So we've seen that a focus on leadership impact will drive innovation in how we identify individuals for leadership roles and how we think about future succession plans but how is this being translated into leadership development practices? In truth, it's not. So far.

Our research shows that 71% of financial services organisations agree or strongly agree that they develop leaders who will be able to meet changing business needs. However there is a responsibility-respect mismatch as less than half of all financial services employees think the role of manager in their organisation is respected. Furthermore only 46% believe their line manager has the necessary skills to perform their job. Leadership development needs to change gear.

We still hear of some organisations who invest heavily in an emerging or senior leadership development programme in partnership with a leading business school; however these are increasingly rare as their ROI is seen to be difficult, if not impossible, to measure. This is typically a sizeable investment for a relatively small group of individuals with no guarantee that they will stay for the organisation to realise that value. This speaks somewhat to the issue of a general preference for home-grown leaders over external hires, which probably comes from there being less risk associated with the former than the latter. This preference, however, does appear to be at odds with the fact that younger generations actively avoid staying in one organisation for more than a few years, instead opting to broaden experience and even build portfolio careers. For leadership development teams, it begs the question, whose leaders are you developing? If you are particularly

progressive, you could take the view that you are developing future leaders not for your own organisations but for all organisations – but how on earth do you measure ROI on that?

It is becoming increasingly clear to us that future development needs to focus on flexible, bite-size learning that an individual can dip in and out of, depending on their preference, need and time available. It also needs to take advantage of advanced technology. Elements should include access to online modules, psychometrics, apps and podcasts with opportunities for a cohort to meet virtually for a discussion on the topic.

Practical development activities currently popular include action learning groups where a group of individuals from different parts of the business work on a real-life business problem and present their solution to the executives. Being able to work flexibly and in an agile manner, with others, across organisational boundaries and time zones is only going to become increasingly important as the way of getting work done evolves and the face of the workforce changes. We see real opportunities here for developing skills required for 'flexible teaming': essential for the blended workforces of the future.

We also think that rotation programmes and job shadowing will become increasingly popular, along with the relatively new concept of reverse mentoring, where younger employees are paired up with more experienced leaders to provide fresh perspectives and an insight into the reality of the millennial generation. Where already in place, it is seen to have had a positive impact in bringing different employee generations closer together, facilitating better working relationships, closing the knowledge gap for both parties and empowering both emerging and established leaders.

So, while we're not seeing a significant shift in some of the leadership development activities themselves, we do believe in a trend towards packaging them together using a more flexible, self-selected and self-directed approach. The learning 'event' is no longer.

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51%

of job activities can be automated, less than 5% of jobs are entirely replaceable by machines

McKinsey, *Harnessing Automation*, 2017



22%

of the global workforce is contingent – and this proportion will increase in the next three years

Willis Towers Watson

“ The days of employment being the only important means for getting work done are passing ”

Boudreau, Jusuthasan and Creelman, *Lead the Work, Navigating a World Beyond Employment*, 2015

51%

of UK companies are changing their workforce activities to enable the use of more non-employee talent

Willis Towers Watson

Industrial robots could be 16% less costly than humans by 2025



Boston Consulting Group, *Industries and Economies Leading the Robotics Revolution*, 2015

“ Of the children entering primary school today, 65% will end up working in job categories that do not yet exist ”

World Economic Forum, *The Future of Jobs*, 2016

2.6

jobs created by the internet for every one lost

McKinsey, *Internet Matters*, 2011

77%



of organisations list missing skills as the single biggest impediment to digital transformation

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“ A career today...can mean two years or less ”

Fast Company



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