

Staying ahead in a changing world: the skills leaders in financial services need

November 2021

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Foreword

Not for a generation has business and industry faced such a period of uncertainty; from the COVID-19 pandemic to environmental threats, societal shifts and incessant technological advance.

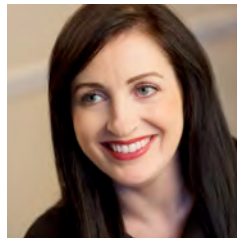
Financial services are on the leading edge of many of these changes and leaders in our sector need to be able to rise to the challenge. We must ensure that leaders have the range and depth of skills that are essential to success. And we need to equip leaders of tomorrow with the experience, training and development that will enable them to face whatever the future holds.

It is no exaggeration to say that the future success of financial services depends on the talent and skills of our people and most of all on our industry leaders.

The responsibility for this challenge falls not just to individuals or even companies – though they must play their part – it is a collective responsibility for our entire industry.



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Executive Summary

The financial services industry is facing unprecedented disruption.

Technology is transforming every aspect of operations; our workforce is becoming more dispersed; and new challenges such as adapting to Environmental, Social and Governance goals are reshaping business priorities. Empathetic and purpose-driven leadership has always been important, but now it is mission critical.

For businesses to successfully navigate this change, every person in the organisation needs to be upskilled. Disruption means a premium on leadership skills as organisations recruit a more diverse and less centralised workforce and every role will have an increased digital component.

Tackling these challenges means first understanding where the skills gaps lie and what strategies will provide the most

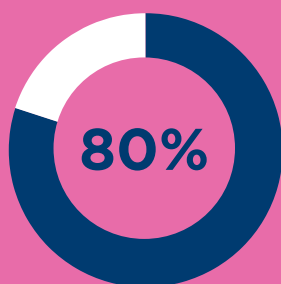
effective solutions. This report, based on research carried out by **Odgers Berndtson** and the **Financial Services Skills Commission** is aimed at doing exactly that.

We interviewed 80 leaders across the financial services sector, targeting three distinct groups: **Executive Committee (ExCo)** members, **Non-Executive Directors (NEDs)**, and **Emerging Leaders**, the people who will lead our industry in the future.

Our interviewees were drawn from retail banks, building societies, commercial banks, corporate and investment banks, insurers, asset and wealth managers, fintechs, payments, market infrastructure and regulation and included representatives from both public and private companies.

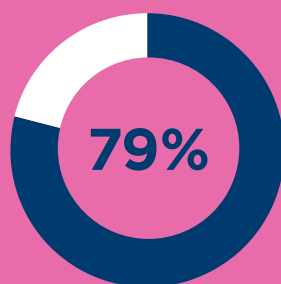
Three essential skills gaps emerged from our research:

1. Data and technology



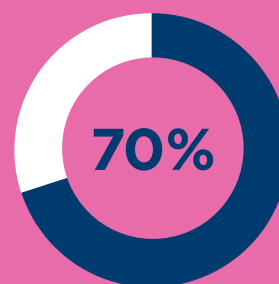
of all interviewees mentioned data and technology as skills that require urgent attention in the board room and across the organisation. Emerging leaders were the most likely to raise technology and data as a skills gap.

2. Communication and leadership



of all interviewees were concerned about communication and leadership skills. Respondents referenced a new style of leadership centred on empathy and inclusivity emerging, which they believe is essential to talent retention and commercial success.

3. Understanding of Diversity and Inclusion (D&I) and Environmental, Social, and Governance (ESG)



of interviewees raised knowledge gaps in D&I and ESG as a priority for development. These issues were high on the list for all three peer groups, though emerging leaders were the most concerned.



ExCo members will need a wider range of skills and the ability to constantly reskill throughout their career. NEDs will be expected to be digitally literate to support and challenge business strategy and risk. Emerging leaders are often digital natives and have many of the skills needed today, but they will need to keep these fresh, broaden their experience and learn from the wisdom of the others.

Our research found many firms are already taking the initiative, launching skills academies, buddy or mentoring systems to share skills and understanding or reaching out to collaborate with other organisations including academia. Some companies are taking an increasingly skills-based approach to hiring, issuing more flexible recruitment briefs and drawing on wider talent pools. But more needs to be done.

Based on these research findings, we have drawn up three critical recommendations for how financial services can close the leadership skills gap.

- **Prioritise strategic skills planning**
- **Take action to upskill existing talent**
- **Implement inclusive talent attraction strategies**

As our report shows, the skills gaps among financial services leaders are often central to the effective functioning of businesses and they should therefore be addressed with the same planning and urgency as any other strategic challenge.

Introduction

Tides of disruption

The forces disrupting our ways of working are not just passing waves – they are tidal shifts. Some are long-standing but profound developments in technology or society. Others have been driven by short term shocks, but even these are likely to leave lasting changes on our industry.

Even before COVID-19, the **Financial Services Skills Taskforce report**¹ published in early 2020 had identified megatrends that were reshaping the sector – technology, globalisation and demographic change.

The digitisation of financial services has progressed at high speed, but we are still only in the earliest phases. Financial technology continues to innovate, the market landscape is changing as fintech and digital-only challengers proliferate. At the same time, technologies of machine learning and artificial intelligence are increasingly seen as game-changers in the provision and personalisation of products and services.

The pandemic introduced a new form of disruption on a global and personal level and required rapid and agile responses from all branches of industry, but the evidence suggests the effects will be lasting.

In October 2020 the FSSC and KPMG published a report, **The Future of Work: Lessons from a pandemic**.² It found that changes made by employers during the first lockdown had a profound and lasting impact and warned: “Whilst the sector has been able to successfully transition to a remote working model, the majority of workers believe that their pre COVID-19 pandemic skills are not sufficient to perform effectively now.”

The climate crisis and other sustainability concerns have put ESG issues at the heart of corporate decision-making. By some estimates, ESG assets may account for a third of all assets under management globally by 2025, with a value set to exceed a massive \$53 trillion. While environmental concerns dominate the ESG debate, it encompasses a wide range of issues from employment to wider social impacts and corporate governance.

Leaders also need to address these issues and by doing so inspire confidence and attract talent. Research by Mercer found that 36% of employees say they would prefer to work for a company known for its concern for the environment and social equity.³

Diversity and Inclusion has also become a central feature of leadership. Fairness, equality and inclusivity are universally seen as the morally right way to operate, but it is also increasingly recognised that an enlightened and far-reaching D&I strategy boosts business performance.

How well equipped are financial services leaders to navigate these challenges? Do they have the knowledge and the skills required?

This report brings together the views of the 80 leaders in financial services organisations we spoke to in handling these skills challenges. And one thing is very clear – much more must be done, and the time to do it is now.

¹Financial Services Skills Taskforce report – <https://wp.financialservicesskills.org/wp-content/uploads/2020/08/FSST-FINAL-report-1.pdf>

²KPMG & FSSC report – https://wp.financialservicesskills.org/wp-content/uploads/2020/10/WEB_Future-of-FS-workforce_KPMG-FSSC_October-2020.pdf

³WEF, The future of work is here. Standards need to keep up – <https://www.weforum.org/agenda/2021/06/the-future-of-work-is-here-standards-need-to-keep-up>

The skills leaders need now

Tech skills in high demand

Data and technology were the top priority highlighted by our research and were by far the most frequently cited skills gaps by leaders at every level.

Executive Committee members (87%) and emerging leaders (90%) raised **technology and data skills** most often. But non-executive directors were not far behind, with 80% citing data and technology as a priority skills gap.

There are two dimensions to technology and data skills and their vital importance for financial services leaders, and both are equally important:

Firstly, technology skills and knowledge are vital if leaders are to understand the developments in the wider world that are driving customer expectations and reshaping the competitive landscape for financial services.

Secondly, in an increasingly data-rich industry, it is essential for leaders to be tech-capable to handle and analyse the plethora of data involved in decision-making.

One Chief Executive at a global bank told us: *“Most people you speak to at a senior level in large financial institutions need more knowledge of technology.”*

This concern is echoed by many, from large incumbent organisations across banking, insurance, asset management, and regulation. The exceptions are leaders in payments, market infrastructure and fintech, who note the strength and depth of talent and skills they have in this area versus their industry counterparts.

Tech skills and knowledge are considered important for tackling market challenges and opportunities such as Artificial Intelligence (AI) that offer both risks and opportunities. There is demand for people with skills in hyper-personalisation, cybersecurity and analytics.

“Change at the lowest levels [embedding digital skills] and developing digitally native practices is essential,” says an ExCo member from insurance.

Understanding **digital marketing and evolving consumer dynamics** is particularly key for board members dealing with retail clients in insurance, banking or financial advice. Technology is a driving force in this development, but customer-led thinking was identified as the guiding light. The skills needed for this challenge involve combining technical and marketing knowledge.

“Developing digitally native practices is essential.”

Views from the Executive Committee

At the ExCo level there is a widespread concern that a shortage of data skills may leave this group struggling to use and analyse data to make the best decisions.

Many firms report that they still lack the ability to use and store data effectively and are wrestling with an **analytics gap**. This may be an organisation-wide challenge, but it inevitably relates to ExCo skills too. A lack of data skills among ExCo members will mean a lack of focus on addressing data skills gaps across the organisation. It will also compound the problem when data is presented to ExCo members for decision-making.

An ExCo member at one asset management firm comments: “We should be able to use our data more effectively and should stop using excel sheets as an example. A core skill will be to analyse and interpret data.”

Another ExCo member declared: *“Addressing this is most difficult at the executive committee and board level. There is not appropriate representation or understanding at board level of technology.”*

Views from Non-Executives

It was widely felt that not all non-executive directors have the skills needed to support digitisation or understand the risks involved in cybersecurity.

Cybersecurity and technology risk are recognised as major threats to business. The evolving ecosystem and infrastructure that is supporting rapid digitisation need to be better understood at board level.

Given the important role of non-executive directors in advising and challenging boards over **risk management** this represents a major skills gap for this group and one that many NEDs themselves recognise.

One NED interviewee put it bluntly: *“A person should not be a contributing board member without understanding data or digital content.”*

Another NED suggested that at least one board member should be a true *“digital native”*. This, they say, should be done even if it meant bringing on board people with no previous non-executive experience.

Views from Emerging Leaders

Emerging leaders echoed many of the concerns about tech skills articulated by ExCo and Non-Executive board members, but there was a significant difference in the detail of their responses. These ‘leaders of the future’ were more likely to identify specific aspects of tech and data where they were concerned about skills gaps. They specified the challenge of extracting actionable insights from data as well as the impact of **automation, artificial intelligence and machine learning**.

It could be said that emerging leaders are at least more likely to know what they don’t know.

While the focus of concern over tech and data differed by peer group, it is the top priority for everyone and is a leadership skills gap the financial services sector urgently needs to address.

People leadership – Everyone needs more

Across all our interviewees the view was clear that leadership style today and in the future needs to be far more people focused.

Empathy and purpose-driven leadership were themes that arose time and again, as did a concern for diversity and inclusion and all-round communication skills.

The COVID-19 pandemic has thrown the need for these people-centred leadership skills into sharp relief – both because of the acute stage of the crisis when many workforces were first scattered and isolated and because of the longer-term effects on working practices across the sector.

It has been called the ‘new normal’, but it is anything but normal, at least not yet. The hybrid working pattern that is now being widely adopted is still evolving. But one thing is clear: it requires a far greater emphasis on effective engagement with teams, sustaining morale and avoiding disadvantaging any colleagues – especially those working remotely.

Post-pandemic working patterns introduce their own unique challenges, but more broadly they have simply accelerated the existing trend that requires people-focused leaders.



Views from the Executive Committee

Mental agility, high emotional intelligence (often dubbed EQ), empathy and communication all featured highly in the skills concerns of ExCo members. But it was the **people skills of empathy and flexibility** that were the priority, with 80% naming these as a key issue.

Another priority for this group was the skill to forge and communicate a corporate purpose – regarded as a priority by almost two thirds (64%) of our ExCo interviewees. *“Financial services play a positive role in our society, and we need to be better at communicating this within and outside our organisations.”* said one bank ExCo member. They pointed out that banks had played a big role in supporting government loan and mortgage relief schemes.

“The leadership approach I grew up with was very directional,” explains one ExCo member from asset management. *“[But] that style is problematic in this environment. You need to be listening and taking input from various people.”*

And one CEO suggests the full impact of the pandemic and the vital importance of people skills may yet to be fully felt and that mental health effects would be the biggest fallout from the COVID-19 crisis.

These skills naturally link to the issue of Diversity and Inclusion, where again our three groups recognised the need to improve skills and knowledge, not solely as a matter of fairness, but as a valuable way to boost performance and to get closer to employees, clients or customers.

Views from Non-Executives

Communication is no less of a skills challenge among non-executive directors, and yet again the COVID pandemic has served to highlight the skills gap. More than three quarters (77%) of NEDs raised **communications in the hybrid working environment** as a skills gap.

A consumer finance and fintech Audit Chair states: *“How we communicate is very different, sometimes thanks to technology. The pandemic exacerbated it, and we now have to rethink communication strategies.”* One specific example of digital communications skills mentioned by some interviewees was the ability to ‘read’ the mood of the moment in video meetings.

But communications skills extend beyond being comfortable with the latest technology. Conversations on D&I require sensitivity, and 73% of NED interviewees feel they need to acquire and develop the skills, and in some cases the language, needed to address **D&I**.

“Putting yourself in the shoes of a minority and understanding how they feel in the organisation is a difficult challenge as most of the financial services institutions are still dominated by white men,” says one board level interviewee. Meanwhile, the Chair of the Board Risk Committee at a large bank adds: *“We’ve made good progress with gender diversity, not as good with ethnic diversity.”*

Views from Emerging Leaders

Although recognised by all our groups, emerging leaders were conscious of the need to oversee flexible working solutions that are attuned to wellbeing and that keep teams happy and productive yet sit well with company culture.

Emerging leaders are the most highly attuned to the skills priority involved in **Diversity and Inclusion and many regard “conscious inclusivity” as a must**. Three quarters (75%) of this group raised D&I as a skills gap.

One emerging leader from insurance observes a discernible shift to more values-based leadership that *“puts the emphasis on agility, empathy, trust and empowerment, and is more personable and informal so people feel they can be themselves.”*

“Financial services play a positive role in our society, and we need to be better at communicating this within and outside our organisations.”

Leaders need a range of skills to tackle the big picture

The **job of the leader is to conduct the orchestra**, not to be a virtuoso soloist.

This was a view heard from across all groups in our research and partly echoes the requirement for inclusivity and listening skills reflected in the previous section. But it also concerned specific expertise.

Many interviewees expressed the view that narrow career paths in which an individual focuses on one skill or knowledge set were no longer appropriate.

Some note that spending too long in a particular business line, division or function prevents leaders from realising their potential and in doing so limits their opportunities to learn from different environments and people.

One executive with considerable experience in regulation notes: *“Organisations often risk pigeonholing people – it’s important we help people learn and showcase different skills.”*

Meanwhile one board member comments: *“Outdated leadership styles, traditionally sales-oriented leaders – that sort of outlook has had its day.”*

A narrow focus on a limited range of skills hampers not only the individual executive but can also lead to ‘groupthink’. **A wide range of skills and experience** helps leaders perform that role of conducting the orchestra and helps ensure a range of thinking.

Many will be reminded of the criticisms made of the financial sector in the wake of the financial crisis and one banking CEO drew an explicit link between the dark days of 2009 and the continued gap in broad skills and experience. *“One of the reasons there was a global banking crisis is all the leaders came from the same school – in some cases quite literally. We need diversity of thought.”*, he says.

In the current environment for financial services, it was clear that leaders need a range of skills – from risk management, to understanding customers and communicating the value of the sector and their business to the wider world. On top of this there are new areas of increasing importance where there are skills gaps, most notably **Environmental, Social and Governance**.



Views from the Executive Committee

One interviewee described the need for generalists rather than specialists on ExCo positions succinctly. ExCo leaders need to be able to **'join the dots across areas'** and bring an organisational lens to a strategic set of issues.

The rising importance of **ESG** was cited as one example of where ExCo leaders need to be able to take a broad organisational view and adapt to the need for new skills and knowledge. One wholesale banking CEO told us there needs to be a greater focus on environmental risk and opportunity and how to structure it, which will call for input from younger leaders.

Another matter of serious concern for some interviewees was the lack of **basic management skills** among some ExCo members. ExCo leaders, and NEDs commenting on their ExCo colleagues, are worried that people are still being elevated to management roles without any formal training. The result is a lack of skills such as arranging regular meetings with team members, objective setting, and constructive feedback.

One board member said of ExCo leaders: *"People are not trained properly to be managers or to deal with poor performance well. Often, they're promoted for technical skill and end up managing. It's an age-old issue, but a really big issue!"*

Views from Non-Executives

Since 2008, financial services boards have evolved significantly to adapt to heightened regulatory expectations. Today's risks are different to those of the last financial crisis, but blind spots still exist. At established financial institutions across banking, insurance and investment management, the **demand for board**

members with the right balance of risk and commercial experience remains high.

For one NED, the biggest shortage across both board and ExCo levels is expertise in risk that can be put to commercial and strategic use.

Board members at fast growing fintech companies, where technology is clearly to the fore, found that **risk management and regulatory knowledge** was the skillset in shortest supply.

The Chair of one of the largest global fintechs told us: *"We struggle to find people with the right risk experience to join our board, candidates from established banking, insurance or asset management firms are used to more structure and can't get their head around our freewheeling approach."*

They also commented on a widespread lack of understanding of fintech business models among traditional incumbents and regulators.

Views from Emerging Leaders

The urgent need for a portfolio of skills, rather than a specialism was recognised mostly clearly among emerging leaders. This group believes leaders in the modern age need to be **adaptive and able to flex** to changing situations and circumstances, rather than being experts accomplished in only one technical field.

As one emerging leader observes of executives: *"At senior levels, we are seeing the need for leadership skills being dialled up, and technical ability dialled down."*

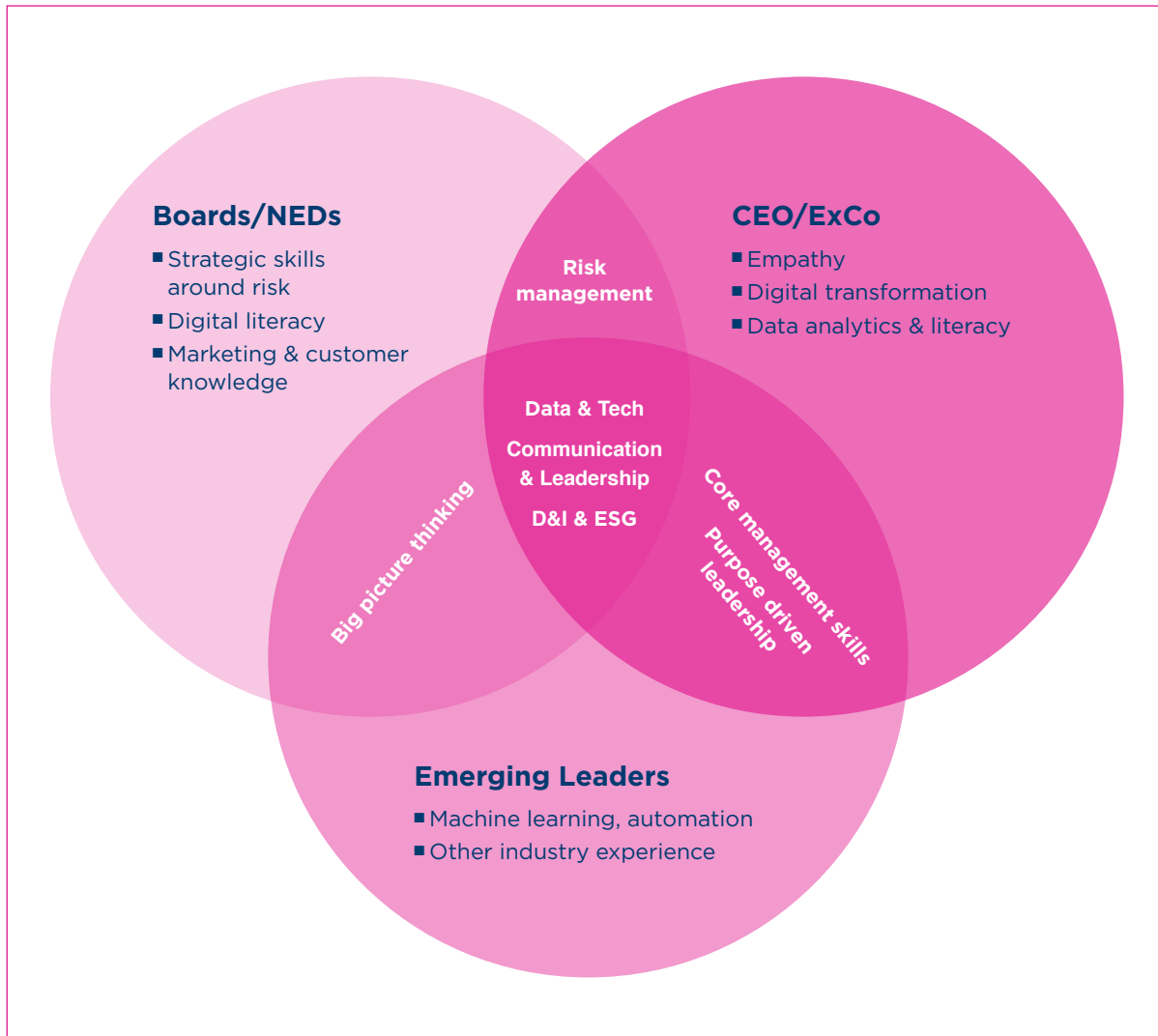
Most emerging leaders (65%) said they wanted to broaden their own skills to become generalist leaders and often spoke of the need for **'a lifelong learning commitment'** from organisations to avoid creating skills gaps among future leaders.

“At senior levels, we are seeing the need for leadership skills being dialled up.”

The key takeaways – skills leaders need now

All Groups	<ul style="list-style-type: none"> ■ Skills development in data analysis and literacy. ■ Greater understanding of wider technological developments. ■ Command and control leaders are outdated – inclusion, engagement and listening are key. ■ Communications skills need to be upgraded. ■ More learning and skills focus on key areas of ESG and D&I.
Non-Executives	<ul style="list-style-type: none"> ■ More digital knowledge to support and challenge business strategy. ■ Wider strategic skills around risk, particularly in non-financial and technology/cyber risk. ■ Marketing and customer knowledge. ■ Greater skills and knowledge of the ESG agenda as well as D&I. ■ Communications challenges around hybrid working.
Executive Committee	<ul style="list-style-type: none"> ■ Rounded perspectives and broad skill sets to ‘join the dots’. ■ Diversity in thought and experience. ■ Core management skills focus needed. ■ Greater flexibility and empathy with colleagues and clients and adapt to new hybrid ways of working. ■ Increased emphasis on communication skills, in particular around communicating corporate purpose.
Emerging Leaders	<ul style="list-style-type: none"> ■ Address knowledge gaps in ESG. ■ Though more aware than others of their skills gaps in this area, emerging leaders still recognise the need for greater technology skills and the ability to turn data into actionable insights. ■ Expectation of lifelong learning and development. ■ “Conscious inclusivity” is regarded as a given by emerging leaders.

Skills leaders need now – by peer group



The industry is responding, but we need to do more

Plugging skills gaps is an ongoing challenge – markets shift, technology evolves, regulation changes and new opportunities and challenges arise. Amidst all this, the most valuable part of the equation is people, and they too change, develop, leave their jobs and follow their own unique ambitions.

But while the challenge is unending it cannot be ignored and, in our research, we have heard from firms who are taking effective steps to identify their future skills gaps and taking action to fill them.

Investment in breadth of skills and building the pipeline

Approaches to upskilling colleagues vary from organisation to organisation, with each curating a different suite of learning and development initiatives. At board level, some interviewees feel there should be **mandatory training** for all non-executive directors on areas such as technology and innovation. Steps for deepening digital knowledge include “intensive tech education programmes” facilitated by a major consultancy and a “buddy system” approach, pairing board members with (often far younger) digital experts.

One of our board level interviewees is adamant that companies should develop a skills matrix among non-executive directors. *“There are still too many one trick ponies around the table.”* A skills matrix would give clarity around the type and level of skills required and could be revisited regularly to suit the priorities of the day.

Considering a **first time NED** to fill a data and tech skills gap would open up a more diverse talent pool. Some, however, argued that finding IT experts from outside the sector to sit on financial services boards has proved challenging as *“many IT gurus often find financial services boring”*.

An executive leader described the launch of a customer academy as a training forum: *“It doesn’t matter which part of the organisation you are in, come and join us.”*

As part of a **leadership programme** for emerging leaders, one company is running open forum training sessions with a group of 10-15 mid to senior managers to help improve their people management skills. *“We asked about the development they need, it’s an open conversation about their skills gaps.”*, said an ExCo member.

Advice on **improving capability in sustainability** runs from testing balance sheets against climate risk to working with climate experts to *“constructing stressful but plausible scenarios”*. Given the understanding that everyone must learn more about ESG, some board members are actively educating themselves by inviting presentations from academic experts or the investment community.

When it comes to D&I, some interviewees comment that talking needs to be matched by action.

“Boards cannot just spout platitudes about diversity, action is called for.”, said an experienced NED. That can take several forms, from establishing committees chaired by people from minority communities to finding concrete ways of **accelerating diversity**, to better educating the board about issues and sensitivities.

“External speakers help us understand how people feel, for example we had an excellent session led by a black psychologist who could speak from lived experience.”, revealed one interviewee.

One executive in the asset management industry speaks of a recently appointed Head of Inclusion who has been *“like rocket fuel”*.

But the abiding theme across our research and articulated most clearly by emerging leaders was the need for **continuous learning to be embedded in company cultures**. This enthusiasm for broadening skills among emerging leaders was a positive finding from our research, suggesting that the pipeline of future leaders is already embracing the need for breadth of skills.

Leveraging partnerships and collaboration

External partnerships and intra-organisation collaboration initiatives also have a lot to offer. One ExCo leader speaks of “*sharing ideas with tech firms and climate change organisations*”. Emerging leaders also speak highly of cross industry partnerships and collaboration as techniques that they believe can help fill the skills gaps that can arise from narrow and linear career paths.

Internal rotations were recommended by Emerging and ExCo leaders as a way to develop breadth of skills. A CEO and a CRO (Chief Risk Officer) of the same global bank told us they would ensure that there was a steady flow of high potential executives rotating between the business and risk teams. This gives future divisional CEOs experience of second line risk management and the pressures that come with managing risk in a regulated environment. Meanwhile, the future CROs would have spent time in profit and loss roles and so understand the commercial pressures facing the bank. This helps them appreciate the commercial aspects when making risk-based decisions.

Some organisations are **partnering with academia** as a means of accessing talent as well as for training purposes. One executive leader in payments described the success of a “*very active, alive online initiative with a university*” where attendees have access to industry experts. Other firms are still in the initial stages of establishing a series of learning hubs and university tie-ups with the aim of identifying and pulling through the right people. Interviewees also told us how they are putting in place more “cross-organisational workstreams” and investing in technology to support collaboration.



Incisive and proactive recruitment to fill needs

Strategies to upskill leaders and potential future leaders are vital actions, but such efforts will often take time to bear fruit. In the shorter-term recruitment, together with cross-sector knowledge sharing initiatives, are obvious ways to address skills gaps.

A small number of board members and ExCo members suggest that CEOs should be encouraged to spend time meeting people outside a specific recruitment process whom they may bring into the team at some point. One CEO said this should be as much as 15-20% of their week.

Others are **casting the net for talent even more widely, to encompass tech** and other sectors. One company deliberately hired a Head of Inclusion from outside the industry because *“we felt bringing in someone from the industry would not expand our thinking.”* Another leader, who sits on the board of an insurer, speaks approvingly of the business *“removing academic snobbery in their hiring”* by pivoting to recruit innovative people with tech backgrounds rather than industry specialists with particular experience or academics.

More “diverse hiring toolkits” are being developed and implemented as financial services organisations look at talent through a broader, more inclusive lens.

Executive search firms can assist in attracting great leaders by challenging the boundaries of recruitment briefs and encouraging organisations to be more openminded in considering candidates from beyond the obvious talent pools.

Given that the challenge is expanding and widening skillsets, one obvious solution is to **make skills the key criteria for recruitment**, rather than a list of work experience.

One emerging leader (in regulation) commented on the positive impact this approach is already having in their environment: *“We focus more on skillset than career history, assessing what people are able to do rather than what they’ve done. This helps us support a generational shift – developing and hiring excellent people who have the skills and potential but maybe have a few less years’ experience. We’re already seeing this diversity breed diversity.”*

“We focus more on skillset than career history, assessing what people are able to do rather than what they’ve done. This helps us support a generational shift – developing and hiring excellent people who have the skills and potential but maybe have a few less years’ experience.”

Articulate industry purpose

All three peer groups are united in the belief that financial services could and should be doing more as an industry to attract great leaders, which puts the sector in a talent competition with other industries.

To win this war for talent, financial services must do more to **demonstrate engagement with issues that matter to people**, in particular those who will be the leaders of tomorrow.

Emerging leaders in financial services are particularly passionate on this subject. One said: *“We need to show that we have better answers to societal questions, the promotion of our industry needs to be authentic.”*

Interviewees felt more must be made of financial services’ role in sustainability and the path to net zero. Asset management has been active in this respect, spurred on by the rise of ethical investment, but there is much more the whole industry can do. This challenge of articulating purpose to better attract talent is felt less by those in regulatory bodies where that narrative is arguably well developed.

While fintechs were already associated with innovation, rapid change and ambition, making finance stimulating and exciting for the customer, the advance of digital services and communications more broadly is **giving the industry a contemporary edge**. But there is still a need to demonstrate more widely how the financial services industry can be agile and embrace new ways of working. Outdated perceptions of the sector as fusty need to be finally dispensed with. Instead, the story should be of increasing diversity and the valuable contribution the industry makes, for example its vital role in the post-pandemic recovery.

If talent is to be lured from other industries, financial services must feel accessible. It’s vital that greater efforts are made collectively, as an industry, rather than in pockets. This requires a stronger narrative and collaboration and some of our interviewees felt there is also a role for government to play in this respect.



Recommendations

Regardless of group or sub-sector, there is one thing all participants agree upon: the need for the financial services sector to proactively address these skills gaps. With the pandemic an evident catalyst of change – and with other disruptive trends re-shaping the needs and expectations of colleagues, customers, and wider society – the sector cannot afford to be complacent. There is some positive and encouraging activity taking place in pockets, but more can be done.

We make the following three inter-related recommendations and provide detail for each:

1. Prioritise strategic skills planning

- Devote more strategic planning resource to skills and talent in order to address current and future skills gaps and reflect these in “living and breathing” skills matrices and succession plans.
- Strengthen the relationship between talent and recruitment teams to pinpoint skills shortages and attract the right candidates now and in the future.
- Shift to skills-based recruitment, progression and reward.

- Develop succession planning to build a pipeline of board members to ensure the board benefits from the right mix of skills and necessary breadth of experience. This could involve appointing a ‘Board Apprentice’ or a full shadow board, investing in developing future NEDs before they become a full board member.

The Financial Services Skills Council has already laid the foundations for effectively addressing skills gaps with the **Future Skills Framework**.¹ The Framework identifies 8 future skills required across financial services and outlines essential core behaviours and capabilities to facilitate delivering career pathways, skills assessments and accreditation of these skills. Adopting the framework can help leaders and organisations focus their potential on the skills for the future.

¹Future Skills Framework – <https://financialservicesskills.org/framework/>



2. Take action to upskill existing talent

- Provide learning and development initiatives to allow continuous education and upskilling among leadership teams – on data, digital, technology and cyber skills. Board members and executive leaders need not all be deep specialists but should be equipped with relevant skills, so they have sufficient knowledge and appreciation of key risks and opportunities for their organisation.
- Ensure people skills are a central feature in training and performance reviews at all levels and foster purpose driven leadership organisation wide. Executive and emerging leaders should be trained in and held to account on people and performance management skills.
- Leaders must be able to communicate strategy, vision and goals while showing empathy, inclusiveness and an awareness of mental health.
- Leaders should invest in demonstrating their understanding of ESG issues and challenges.

Specific suggested actions and initiatives include:

- **For all:** tech education programmes; in-house data academies; mandatory training in risk and regulation; partnering with universities and academic experts; reverse mentoring and open communication to encourage fresh input;
- **For emerging leaders:** structured programmes to develop breadth of experience and opportunity, secondments;
- **For executives:** support external (non-conflicting) board experience, developing the individual, building the pipeline and benefiting the organisation;
- **Non-executive directors:** training in the emerging issues of D&I and ESG.

3. Develop and implement inclusive talent attraction strategies

- Recruit an infusion of talent from beyond financial services, with particular regard for what those who have worked in disruptive sectors can bring to the business. At board level, this can include hiring first time NEDs and providing support and mentoring.
- Redouble efforts on all aspects of D&I, to increase perspectives across the organisation at every level and attract a wider talent pool.
- Maximise opportunities for flexible and part-time working to incentivise interest and applications from different candidate pools.
- Provide strong induction programmes and ongoing mentoring and sponsorship, formal and informal, to aid integration.
- Ensure good culture and values pervade; clearly communicate your organisation's values, the purpose of financial services and your organisation's role within it.

For more tips on attraction, see the [FSSC's marketing guidelines](#).

Conclusion

Only by employing a blend of these recommendations will organisations be able to achieve the right skills mix in the senior team, the board and the organisation as a whole.

It is encouraging that several participants were able to share success stories on upskilling and reskilling and that there is a strong willingness to do this in a more planned way, including through cross sector initiatives where this makes sense.

There is also still work to be done on trust and image for the financial services sector and for leaders to successfully embrace virtual leadership and digital solutions. Nevertheless, it is clear from our interviews that senior leaders are committed to building a diverse range of skills to ensure sustainable success for the future.

Lasting and meaningful change requires clear commitment and actions. Our people are our organisations' greatest assets, so failure to act on these recommendations will jeopardise our ability to be a competitive, inclusive and thriving financial services industry.



Appendix: Note on methodology

We framed our research to look across the UK financial services ecosystem, encompassing retail banks, building societies, commercial banks, corporate and investment banks, insurers, asset and wealth managers, fintechs, payments, market infrastructure and regulation. As a result, our interviewees come from larger and smaller businesses, public and privately owned companies. All told, between January-June 2021 we conducted over 80 interviews across the three peer groups:

1. Non-executive directors who do not have an executive role and serve on at least one financial services board. This included Chairs as well as committee chairs of Risk, Audit, Remuneration and Nominations.
2. Group, Divisional and Country CEOs and Executive Committee members including Chief Financial Officers, Chief Risk Officers, Chief Operating Officers, Chief Technology Officers, Chief Data Officers and Chief Investment Officers.
3. Emerging leaders were for the most part nominated by an executive leader to be invited to contribute. These are individuals who are at least one layer below the ExCo and considered to bring new thinking and different perspectives to the leadership of their organisation.

Interviews were conducted one-to-one rather than in focus groups and structured to find out:

- The current skills make-up of a peer group and where the interviewee saw skills gaps – both within their own peer group and in their company's leadership more broadly (i.e., board members have views on the ExCo and vice versa).
- What organisations are doing to address these gaps.
- How the pandemic and broader themes of technology and digitalisation, automation, demographic change, climate risk, diversity focus, and globalisation have altered views on skills required now and going forward.

About us

The **Financial Services Skills Commission (FSSC)** is an independent, non-partisan, member-led body, representing the UK financial services sector on skills. We work directly with the sector and advocate for innovative collaboration to ensure that businesses have the talent and skills it needs for the future.

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Odgers Berndtson is a leading international executive search firm. We advise boards and executive committees and help them find, attract and develop diverse senior executives and non-executives.

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