



# **Talent retention in the Australian finance services industry**

## **Final Report**

**A report by Kitsune Consulting  
January 2009**

# 1. EXECUTIVE SUMMARY

Collins Consulting engaged Kitsune Consulting to conduct qualitative research into talent retention in the Australian finance industry in the wake of the current global financial crisis. 23 in-depth interviews were conducted in December 2008 and January 2009 with leaders and top talent in the finance industry.

The research findings in relation to the response of organisations to the current conditions were:

- Damage from the crisis is very widespread and the mood of the local industry was very pessimistic, though less so than overseas.
- Most are considering, if not implementing, retrenchments.
- All are highly conscious of the importance of talented individuals to the survival of their business and long term prospects, and are concerned about retention.
- Most organisations, despite not actively hiring, describe themselves as being still in the market for talent.
- All report significant limitations on money available for salaries and bonuses but their approach to how this is distributed within their organisation varies. Most are reporting a more differentiated approach.
- All perceive a shift in bargaining power from employee to employer.
- Some feel that this crisis is a necessary cleansing process which will benefit the industry in the long term and bring a renewed focus on quality.

Other points of general interest were:

- Most leaders are reconsidering their definitions of talent to encompass a broader set of attributes and skills, including the ability to cope under pressure, to work successfully in a team, to be adaptable, think creatively and show initiative.
- Organisational approaches to investment in learning and development are changing, with the emphasis on skills to improve an organisation's chances of survival (such as leadership and communication) and on more internally focused initiatives such as sharing of expertise.
- Many HR managers report having seen some very high quality CVs on the market, including from expatriate returnees.
- The findings in relation to the response of talented individuals to the crisis were:
  - They accept that they will be working much harder for less remuneration and probably less job satisfaction.
  - They are generally experiencing the same anxiety and stress as others but a few are more relaxed and confident in their own abilities.
  - The pressures on them mean that some are scrutinising the broader value proposition of their organisation more closely (factoring things other than money, for instance,

such as balance, security and flexibility), while some are reconsidering their involvement in the industry altogether.

- The culture, longer term strategy, leadership quality and fundamentals of the business have great significance to talented people.

How well organisations are handling themselves during the current crisis greatly colours the attitudes of employees towards the organisations they work for (or could work for).

More so than ever, organisational strategies for retention that will have the greatest prospects for success centre around:

- Culture, strategy and communications
- Leadership quality and capability
- Differentiation – for remuneration but also in terms of a more personalised approach to the employee/employer relationship
- Career paths and succession planning.

## **2. INTRODUCTION AND OBJECTIVES**

From late 2007 and throughout 2008, the finance industry globally has experienced a major downturn, triggered in part by the US credit crisis but rapidly spreading to other economies and sectors. In the last quarter of 2008, the enormity of the scale of this crisis began to become apparent with the sudden failure of major US financial institutions and the downturn of global markets. Lenders abruptly became highly risk adverse and credit began to dry up. Entire spheres of financial activity, especially at the more risky and speculative end of the spectrum, ceased to exist. Institutions were forced to begin to radically manage their cashflows, with reduction of people costs and redundancies being a reality in many organisations. The severity of the crisis is particularly acute in the US, UK and Europe, but Australia is also very strongly affected, especially now that China's economy appears to have slowed too. Even those organisations wholly based and managed in Australia have experienced a dramatic downturn in at least some parts of their business. In most cases this has necessitated some redundancies or, at the very least, a tightening of people management practices, particularly regarding compensation.

In this atmosphere of volatility, uncertainty and market pessimism, recruiting and retaining talented people is arguably more important than ever to enable businesses to survive the current conditions and to position them for growth in the future.

This research project was commissioned by Collins Consulting to explore how top talent is responding to the conditions in the local industry and to examine how organisations are managing their people and retaining their talent.

## 3. METHODOLOGY

After an initial briefing session was held with Collins Consulting, a discussion guide was devised. 23 interviewees from the finance industry were recruited, some of whom were Collins clients and some of whom were not. In depth interviews were conducted either through face to face meetings or telephone interviews from early December 2008 through to mid January 2009. The interviews generally followed a discussion guide and were between 20-40 minutes in duration, depending on the interviewee's availability. The composition of the interview sample was as follows:

- 9 HR managers (4 from the funds sector and 5 from the banking sector)
- 14 people on the business side (7 each from funds and banking) – some of whom were in top leadership positions and some of whom were “rising stars”.

The results were then collated and analysed and form the basis of this report.

## 4. RESEARCH FINDINGS

### 4.1 Mood of the local industry

#### **The recent crisis – “this time is different”**

Veterans of previous downturns all agree that this time seems to be different. The crisis is not confined to particular markets and seems to be a “slow death”, contrasted, for example, with the 1987 crash which saw 40% of value wiped off the market in a day. The severity this time was thought to run much broader and deeper.

The tech wreck and the downturns of the early and mid 90's were significant, but “a 20% downturn on operating margin is manageable. You can tighten your belt and get through it relatively unscathed. This time the fall is starting to wipe out the P&L's of some organisations and they need to radically manage cashflow to survive.”

How are organisations handling the crisis?

Most people interviewed stated that their own organisation was pursuing an agenda of taking sensible measures to manage within the constraints of conditions in the short term while positioning themselves for growth in the longer term:

*“We have been managing people for a growth strategy, suddenly the focus will be different – still based on growth but more incremental, perhaps centering on acquisitions.”*

However, there was some doubt whether some organisations (other than the interviewee’s own, usually) genuinely had the ability to do anything more than panic and hold on.

*“I see a lot of organisations in classic crisis management mode.”*

Most interviewees expressed fundamental confidence in their organisation’s ability to ride out the crisis, though levels of optimism about the organisation’s ability to recover quickly in the longer term were more muted. Many expressed the view that in some ways, while not an enjoyable experience, severe downturns can provide a much needed cleansing of the industry – exposing weakness in both organisations and individuals, highlighting truly strong performers and refocusing the market on quality. Some were extremely cynical about whether these effects would last, but others felt that the lessons learned in this crisis would stick:

*“Organisations have come off a prolonged period of strategies of “growth growth growth” and some now seem to be pursuing strategies of “shrink, shrink, shrink”. Well managed organisations are focusing on right numbers, right people, right skills.”*

### **Global gloom versus cautious optimism locally**

There is some degree of optimism about opportunities locally and a feeling that Australia’s finance industry is positioned for a good recovery. However, a couple of respondents were less optimistic, indicating that they thought that greater regulation of the local industry as a result of the crisis was likely, which would limit opportunities in future.

A few organisations that are part of a global structure report some tension between local optimism and the gloomy outlook of “head office”. Local leaders are needing to work hard and rely extensively on their credibility and influence at the international level to convey an impression of the opportunities they believe still exist in Australia amid the panic and gloom of the international markets, in particular those organisations based in or heavily exposed to the US, UK and Europe. Some local offices were clearly more autonomous than others and felt that they had greater discretion to manage for local conditions.

It should be noted, however, that a couple of interviews conducted in early 2009 were less sanguine about grounds for optimism in Australia, and, at the time of writing the report, the extent of the impact of China’s slowdown was unknown.

## **A painful, but necessary, cleansing**

Several interviewees had a view that some organisations or pockets within organisations had become very complacent – about risk, performance and quality – which had intensified the damage they experienced when the crisis began to hit. Further, many interviewees predicted tough times for organisations that had failed to “walk their talk” when it came to people practices, citing the presence of appropriate remuneration and staffing levels, clear succession and risk planning as being fundamental to an organisation’s ability to survive successfully. Those organisations who exposed their poor people practices through short sighted measures or clumsily handled retrenchments would, in their view, not recover as well as organisations who already had a good people management culture.

*“It’s survival of the fittest. Those organisations who are not robust in their foundations won’t make it.”*

There was also a sense that some particularly large organisations may suffer more either through inappropriately high staffing levels or not being agile enough to refocus on the opportunities:

*“The upside of all this is obvious for the smaller players.”*

Of course, these comments were usually directed at organisations other than the ones the interviewees actually worked for.

### **A major power shift in the employer/employee relationship**

While the focus on acquiring talent remains a priority, all interviewees reported that they felt that the crisis had created a fundamental shift in the market for talent in the industry:

*“Our focus was on acquiring talent in a war for talent and in the context of intense pressure on remuneration...how it was 12-18 months ago has totally reversed.”*

Many people identified that employee sentiment has turned dramatically. Whereas previously there was a sense that the workforce was highly mobile, or potentially highly mobile, now there is more of a view that those who still have jobs are lucky to have them and they’d better hold on.

*“Before this, I spent a lot of time worrying about attracting good talent. It was an employee’s market. Now it’s definitely more of an employer’s market.”*

*“Power has shifted back to the employer.”*

True talent will become more coveted, but also more obvious.

*“There are lots of average people out there who have looked good through the boom times.”*

## 4.2 Retrenchments

### Is everyone cutting staff?

No, but most are to some extent. No-one is in hiring mode, but all describe themselves as still in the market for top talent.

There appears to be several different approaches being taken to managing staff costs: Cuts across the board to meet a particular target, sometimes imposed by global management. Some organisations are focusing on poor performers to meet these targets, others are cutting more broadly

Cutting of entire business units, including top talent, on the basis that their function is no longer viable or part of the business strategy

Others are not focusing cuts on core operations at all, but on support functions.

Where there is enough discretion or less pressure to find immediate savings, performance management of low performers is being used – such as explicit articulation of limited opportunities, highly differentiated performance-based pay, intensified focus on performance etc.

A few organisations are welcoming the opportunity to divest themselves of poor performers:

*“Costs pressures mean that organisations simply can’t afford to retain under-performing individuals.”*

*“You can’t muck around carrying weakness now. You don’t have to put up with prima donna behaviour any more either.”*

A couple of organisations, while aware that cuts will be needed, are taking time now to carefully consider the strategic ramifications of cuts in various functions:

*“For example, do you tend to cut muscle (R&D etc) or do you cut sales? Both have a downside if not done cleverly. Much more refined judgement and management is required to handle this exercise well.”*

*“We’ve done OK so far but you have to review every seat.”*

On the other hand, some organisations are doing whatever they can to avoid losing people at all and are attempting to continue to manage as they always have:

*“The organisations who are going to thrive in the longer term will be the ones who can avoid jettisoning people wherever possible. This will damage their long term prospects.”*

*“Having good talent in the right ranks and with the right alignment is very rare, and these people are being held on to at all costs.”*

*“Do you get more lateral [about reducing people costs] – for example, do you manage leave accruals much further in advance? [We need to think about] more flexible and creative approaches to workforce management.”*

A couple of respondents took the view that recent events didn’t affect their approach to performance much at all:

*“Managing poor performance should always be a focus for a CEO, not something that only becomes a priority when the viability of the organisation is under threat.”*

### **Over staffed?**

Many organisations had been allocated headcount to match a strategy of growth and expansion. Some leaders had the foresight to hold off on filling all of these positions, seeing that a downturn was coming. Even those leaders have been shocked at the extent of the downturn and the strength of the reaction of the industry.

*“You need to see the opportunities but resource for today rather than hope for tomorrow.”*

There was also a considerable amount of perceived “comeuppance” being delivered to couple of organisations. These organisations had, in the view of some, excessive staffing levels leading into the crisis which have since necessitated large scale retrenchments.

An observation about one such organisation was this:

*“Instead of starting off small and everybody just rolling up their sleeves and working to absolute full capacity before hiring the next person, they actually tended to create specialist roles in the expectation of future growth and then fill them. This had 3 negative impacts – first, it meant that their staff costs were higher than necessary, second, there were territorial wars, and third, they missed out on the opportunity to cross-skill a smaller pool of staff who would then have been more flexible future employees.”*

One business leader made the link between staffing levels and the scale of the impact of this crisis:

*“This time around [contrasted with previous downturns] the bloating of the size of some organisations simply is not comparable.”*

In his view, as a result of this “bloat”, as well as the global conditions themselves, a radical downsizing is required and there is likely to be considerable unemployment in the industry for some time to come.

Tighter, leaner resource models and more disciplined, yet creative, approaches to staffing might therefore be a lasting effect of this crisis:

*“While workforce management is still a priority, the detail has changed. Now its about workforce agility – the ability to mobilise the workforce you have to take advantage of emerging opportunities [rather than relying on the ability to scale up or down]”*

### **Negotiating with head office**

Some leaders reported pressure from an overseas head office to behave according to their perception of conditions, despite their own local knowledge giving rise to a slightly less pessimistic view: “If we take literally what overseas expects [in cost cuts], we will overshoot what is required here. We need to balance realism with optimism and a longer term view of the prospects locally. We need to ensure that upper levels don’t force us to shed talent or to destabilise it locally.”

This was reportedly a very hard line for managers to tread successfully.

How much good talent is really being freed up?

All HR managers report having seen some really impressive CVs but are being more thorough than usual about investigating the real reasons that they are on the market – informal networks are coming to the fore as information sources.

*“Even good talent gets made redundant, but the really good people will always find jobs.”*

*“We’re keeping the door open for talent, but the bar is raised in terms of quality. You’re more suspicious about why people are on the market – “why are you talking to me now?””*

Other organisations are eager to snap up the talent that is appearing on the market.

*“There are huge opportunities. I’ve seen some really hot CVs across my desk – especially people returning from overseas.”*

*“We’re picking up outstanding candidates wherever we can and “warehousing” them if necessary.”*

### **Concerns about retention**

Most people interviewed in an organisational capacity were concerned about retention of talented individuals during and after this period of instability. Many people felt that holding on to their best people would be the difference between a speedy recovery and a prolonged death.

*“Any business is really built on a core of people, smaller than its total workforce. [In the current conditions] those people who are the foundation of your franchise could be under threat if you don’t get your people management right.”*

There was, however, a mixture of views about whether the task of retention was easier or harder in the current conditions. In some sectors of the industry it was felt that there is less optimism and mobility on the part of top performers now. In others it was felt that, if anything, now was a critical period in the relationship between top performers and the organisations they work for.

*“It’s a mistake to think retaining people is easier in a bear market than in a bull market. Your competition is always looking to upgrade.... Those that do well will be those that think laterally about retention strategies.”*

## **4.3 Remuneration**

There is a general acknowledgement that remuneration will be less available as a means of motivating staff: Many see this as a good thing overall for the industry and some felt that remuneration had gotten out of control:

*“Remuneration is still available as a lever where it needs to be, but it doesn’t have to be as much.”*

*“Bonus payments have a lid on them now.”*

*“Small bases and large at-risk components are not attractive now. More secure package structures come to the fore.”*

*“The bonus pool will definitely be smaller.”*

*“People are expecting not to receive bonuses in July. Last year they would have walked under those circumstances, but probably not this year.”*

However, some expressed the view that if money is really what matters, and if the individual is critical enough to the organisation, some money can always be found:

*“It’s likely that there will be no salary increases, and possibly cutting of bonuses as well, but I’ll be taking a differential approach based on performance.”*

*“I don’t reward mediocrity at bonus time, but the bar is even higher this year.”*

*“At times like these you realise just how valuable your stars are. That means you need to differentiate – traditionally we haven’t differentiated enough. That said, in this industry it’s very easy to measure performance – we’ve always been more of a meritocracy than other industries.”*

Several people have highlighted that a common strategy is to penalise the most junior staff and have indicated that they think this is a short sighted measure and should be avoided if possible. Others have advocated a more hard line approach – focusing resources where they are needed now to hold on to top performers at all costs:

*“Remuneration, development and packages are all under pressure. Spend will be much more focused and the tendency to take a more egalitarian approach to individuals and businesses is falling away.”*

Those that had previously done very well with significant at risk components of their packages will probably experience a major cut in what they take home, and what they were expecting to take home. This will increase the overall pressure on those individuals.

*“Much of the old school remuneration strategy is now underwater, and for the time being there are likely to be freezes on pays and bonuses.”*

Several interviewees, speaking as employers, seemed to find the slackening of competition on remuneration a bit of a silver lining, perhaps restoring things to a more sensible and equitable state of affairs:

*“Market compensation was getting out of control.”*

*“You’re more inclined to stick to your guns if you know you’ve got a fair deal on the table.”*

#### **4.4 Definitions of “talent” – what skills are valued by organisations in the current conditions?**

##### **Has the definition of “talent” changed?**

Many (but not all) organisations are rethinking what “talent” means and by extension, who in their talent pool they consider most valuable:

*“Some people are very valuable in up markets but not valuable in down markets. In down markets you can tell whether someone is really talented. Are they adaptable? Are they insightful money managers?”*

Are they thinking about how the business models are changing or could change?”

*“I have been surprised by some people. It’s fascinating to watch how people respond to pressure – sometimes the people you expected to crash demonstrate (or develop) qualities you didn’t know they had, and some people you thought you could rely on crumble.”*

##### **More than just technical prowess**

When discussing the skills mix that is now at a premium, several factors clearly came to the fore that may have been less important previously. To be considered top talent, many employers are now looking beyond specialist expertise and technical brilliance to see whether their people have the skills to handle new and challenging conditions. They report a deep appreciation of the worth of people who, in addition to specialist depth and experience, are nimble, adaptable and willing to stretch themselves.

In some ways, people feel the bar has lifted. While technical depth and specialist expertise is still critical, in difficult conditions employers prize a broader range of skills. This doesn’t necessarily mean “generalists” will be more valuable than specialists – in fact, several

business leaders have expressed the view that true specialist skills are at an even greater premium.

*“Depth and detail are more important than ever. Depth of understanding of emerging issues – what’s in the press now is 6 months old already. What clients need are the ones who saw it coming ..who can anticipate what the new business models will be.”*

However, those specialists who are easy to work with, who communicate well with clients, who co-operate well with other workers, who are resilient, adaptable and who don’t consume the energy of their managers and co-workers now stand at a distinct advantage from those who have only their technical skills to recommend them. Those who are capable of taking a broader view of how their activities fit in with the whole of the business and, more importantly, how they fit in the context of their clients’ businesses will shine in the new environment. They will be easier for organisations to identify, and they are also likely to be quite rare, given that a broader repertoire was not necessarily considered as valuable in the years leading up to the current crisis.

*“[In good times] specialists and technicians are highly rewarded for growth. In tougher times, broader thinking might be required, and this might disadvantage those specialists who lack attributes beyond their technical expertise, such as adaptability, flexibility and creativity, but [developing these skills in those who lack them] is a really hard thing to tackle as a development priority, so many businesses might take a cruder approach or opt out of tackling it altogether. I think the ones that do tackle it will see the benefits when things change again.”*

Teams will need to be capable of responding to entirely new opportunities and piecing together the expertise they require.

Smaller organisations were more likely to be interested in individuals with exposure to more than just their core specialty, and were more likely to expect people to be more agile and adaptable in their roles.

*“Broader palette of skills required.”*

*“There’s an expectation that a specialist will draw on a broader skill set in order to operate effectively in a more challenging environment. For instance, the ability to translate trading effectively and good investment decision making into a broader set of commercial factors, such as a general understanding of tax implications and so forth.”*

Larger organisations tended to focus more on attributes such as an individual’s ability to work with others, although an ability to grasp the larger context of their activities was also regarded as important:

*“The mix hasn’t varied, but the emphasis has. [Qualities such as] resilience, adaptability, initiative, dealing with ambiguity – these things are all coming to the fore. Although a certain level of technical proficiency is a given, you can’t apply technical skills in this environment without those other skills. And it’s experience that gives you those skills.”*

*“We’ve tended to specialise people very early on in their careers, which can be doing them a bit of a disservice. A broader understanding of business operations is important as well as an awareness of how other parts of the business relate to your specialty.” In fact, those specialists who have been able to avoid dealing with significant weaknesses in other areas will perhaps find their mobility impaired, as employers place greater emphasis on a more well-rounded skill set:*

*“There will be fewer people doing more work – the expectation is naturally that those people’s work will have a broader scope. Those subject matter experts who also have the broader people skills will be of more value.”*

*“Resilience and the ability to get along becomes very important when everyone is under pressure. Also, a willingness to extend yourself and adapt. While technical brilliance is still of the utmost importance, lacking these other skills reduces your productivity and that of those around you, and we can’t afford that now.”*

*“It’s about individual contributors versus team players. Team players are what you need now. Often these people help build morale, build momentum.”*

And finally, those who have been able to rely on their technical brilliance as a defence to other shortcomings in “an employee’s market” might be in for a surprise:

*“The organisational appetite to absorb toxic people is diminished. There’s a fine line between being confident in your own abilities and being arrogant.”*

*“I now have even less tolerance for complacency.”*

## **4.5 Effects on top talent**

When asked about their personal responses to the crisis or their observations about their teams and peers, respondents identified many common themes.

### **Shaken confidence versus strong sense of own value**

Some of the commonly cited effects of recent events were increased self-doubt, anxiety and stress. Some also reported that peers had experienced disillusionment with the industry and a tendency to question their own skills.

Although, as one interviewee pointed out:

*“There is a distinction between the confidence of the industry and the self-confidence of individuals, but they are intertwined. I think we’ve all looked in the mirror and wondered “am I really as good as I thought I was yesterday?””*

For some, anxiety is being compounded by the fact that their work has dried up.

*“Certain pockets of the business are literally sitting around doing nothing.... There’s a bad atmosphere.”*

On the other hand, some are very confident and are looking forward to a greater emphasis on quality in the industry:

*“I’m somewhat Darwinian about these things. You need cleansing experiences like these. I like to think about the opportunities these situations create.”*  
*Working harder for less*

One of the most universally cited impacts for top performers would be the fact that the payoff for effort would be drastically diminished, both in terms of money and satisfaction with their work. Many talented people are going to be working harder to achieve more modest goals, and it was thought that it will be a struggle to stay motivated.

*“You work harder during downturns. You feel the need to be creating and adding value for your clients, which is more difficult in these conditions. And when there are fewer people, there is more pressure on those who remain.”*

*“...working hard for clients, working more, often for less reward...”*

As well as becoming harder for everyone to achieve the same financial results, for those engaged in the more exotic deal-making end of the industry, it has become much harder to get the necessary buy-in for new opportunities, due to a much more risk averse approach pervading the industry.

*“We have to work harder to identify the opportunities and harder to get them over the line.”*

*Some people were confronted with the prospect of managing client exposures in extremely difficult and personally challenging conditions:*

*“You’re putting out bushfires.”*

*“Many of our brightest people have really struggled to find solutions...In some cases they’re having to undo things they’ve spent years putting in place. It’s professionally and personally very testing..at home, too.”*

There was also some hints of resentment where individuals who had personally performed well would be subject to universal reining-in of remuneration across their organisation.

*“Individuals are being penalised even though they are performing well – business units as well.*

*‘Everyone shares the pain’ can be demotivating, as it’s the weakest link that brings you down.”*

It was felt that the effect of this combination of harder work and less reward will be increased difficulty in remaining engaged and motivated.

### **Stress, fatigue and resilience**

It was widely acknowledged that working in the industry was likely to be a much more stressful and unpleasant experience over the coming period. While many reported being generally optimistic about their own future and that of their organisations – “even optimists get worn down.”

*“Fatigue is the big issue, stretching resources further – add in agitated clients and customers, add in an element of shock – you’ve got the boy in the barrel going over the falls.”*

The research suggested that if these effects become unmanageable for an individual, it represents a risk on several fronts. Firstly, their engagement drops, which means they are more likely to leave. Second, if they are in an advanced state of stress or fatigue, their judgement may be impaired and they might make mistakes they would otherwise have avoided. Third, they may fail to see or appreciate opportunities that they would otherwise have seized upon.

One interviewee, working on the HR side of the business, had direct experience of the impact of these factors on retention:

*“I’m seeing resignations from those who are not emotionally resilient enough to cope with the conditions.”*

Arguably, it is best that these individuals self-select early on, assuming there are no underlying organisational factors contributing to reduced resilience. As another senior HR specialist put it:

*“The way people function under pressure is becoming highly relevant.”*

### **Soul-searching**

Some interviewees reported that these conditions – more work for less reward, a stressful, anxious, tiring job – were driving reflections on the wider context of work in their lives or those of their teams and colleagues.

*“When you’ve been working really hard for a while, and suddenly the payoff’s not there, you might think its time to readjust the work/life balance.”*

*“You need to see the organisation invest back in you – recognise that you have a life.”*

*“There’s a questioning of the whole proposition – is it worth it? Some people are looking at career changes.*

*“In an industry where we struggle with our reputation this has not helped at all. It’s very disappointing.”*

Many respondents reported that, anecdotally, some people are asking more fundamental questions and are reconsidering their involvement in the industry – toying with a new career or even “sitting on a platform in a forest somewhere”:

*“Some people have done very well, they are thinking they don’t need this, they will pull back to the farm or the beach.”*

However, while this was widely volunteered as a possible effect, very few people interviewed either volunteered these as options they were personally considering or were aware of any other specific individuals considering this. This suggests that there may only be a limited number of people actually following through with this option.

That said, there does seem to be a widespread sense among top performers that this crisis has prompted some deeper consideration of the nature of their role and what they want from their career and their employment relationship.

*“People are looking at the bigger picture – safety, security, some balance. In good times you work, work, work and its satisfying. In times like these it’s tiring. You become less*

*focused on work, you pull back a bit. I think we're all looking forward to the Christmas break to have some fun and regroup."*

*"People are bunkered down right now, but they are thinking carefully about their roles and their future."*

Many agreed with the proposition that the absence of generous remuneration brings other aspects of the employment relationship into sharper focus – security, organisational stability, strength of strategy and management.

*"When financial incentives are removed, people lose patience with the other things that they've been putting up with."*

For those that personally have no intention of moving in the short term, there is also concern about the implications of departures from the organisation for the quality of the work and the depth of skill remaining. These losses affect the capacity of individuals to be involved in doing high quality, satisfying work.

*"Loss of quality is a real risk. Talent, and experienced talent in particular, rethink their roles, they might move over to the corporate side, take time off and so forth. It's very hard to recover from the loss of knowledge and skill that implies."*

### **Trust in management capability**

A significant factor which is sometimes glossed over is the extent of a top performer's respect for their leaders and managers - in particular, their ability to cope with changing conditions.

*"Crisis management is having an impact on people. People are unsettled, unnerved, working harder, becoming fatigued".*

*"Pessimistic managers really demotivate people. Not only are they unpleasant to be around, but they fail to see and capitalise on the opportunities that are there."*

*"Knee-jerk reactions, putting off the wrong people – this is a really bad idea and sticks in the memory. Sometimes there's not enough push back from local leaders to the global structure. It's also a mistake to get rid of the "cheapest" people. Teams that are top heavy when things turn around are no fun to work in and they're not effective. The leverage model is all wrong. You need better succession planning to start with, and a clear idea of what you want the business to look like. You need to try and hold on to people longer and not over employ in an upswing. Then there's more stability. Tight management of resources, leaner resource models, consistent people management. Then it's not feast or famine."*

*“Under stress, people get hung up on managing rather than leading. They attempt to control those easy, manageable things – exactly those trivial things which really annoy people, like stationery and Christmas lunches. Those things are not going to save big dollars, they are just intended to seem tough and disciplined. A leader needs to be able to communicate a compelling strategy – “I know where I want to go and I want you to come with me.”*

From the interviews conducted, it appears that talented people often have strong views about the most appropriate strategy for the crisis, and are deeply annoyed by what they see as panic-driven, short term or spineless decision making. Conversely, they feel a greater sense of ownership in the future direction of the organisation if they feel their views are heard and considered, and that decisions are being made on the basis of sound strategy and well executed by good leaders.

*“I like to work in an environment where I have respect for the people within the business....Leaders ought to be able to trust each other and respect each other’s capabilities.”*

### **Mobility of talent**

Employers have noticed some reduced mobility since the onset of the crisis.

*“Previously, everyone was quite mobile. Now it seems to be tougher to get people out [of other organisations].”*

*[While these situations do destabilise people] “...I’m not seeing much mobility yet. We’ve recently paid compo so I think we would know by now if people were planning to leave.”*

However, in thinking about decision making factors that induce people to move or stay, there is greater interest in the whole employment “deal” rather than just the remuneration on offer.

*“[You look for] the totality of what’s on offer. The pedigree of the organisation – who the parent is, how they’ve managed through the cycle. People want to work for businesses that control their own destiny. Local control is important especially within a global structure. Has there been imposed headcount cuts, for instance, a culture of “everyone takes the pain” regardless of the business case of the local entity? I want to be responsible for my own successes and failures.”*

*“A real line of sight to the strategic objectives of the organisation. How my personal contribution and that of others connects to the business. Some personal buy-in to or*

*matching up with business goals, clarity about how I'm helping to move the business and the direction it's taking. "*

*"...the remuneration needs to be right for the environment and reward performance fairly BUT you also need to enjoy coming to work. There needs to be a credible environment of optimism. There needs to be a common shared vision. There needs to be a clear strategy. We need to understand that the organisation has a future and what we can contribute to it. There needs to be a healthy team-based environment and a sense of security."*

## **4.6 Organisational strategies for retaining top talent**

There is a widespread acknowledgement that with remuneration less available, other factors become far more significant to retention. In particular, the relationships a talented person has within their organisation (manager, team, leader, peers) and the organisation's fundamentals (vision, strategy, communication, people management practices and so forth) come to the fore.

### **Culture, strategy and communication**

When organisations were asked what their focus would be in retaining their top talent, some common themes emerged – a clear strategy, good communication, transparency and trust:

*"A strong, clear vision"*

*"Engagement and motivation are the big challenges. Morale is naturally down in this sort of environment and people are stretched. How do you keep them motivated and connected? Communication is key – understanding the position of the business, helps in understanding the context of the decisions that are made. You need a strong strategy that is both clear and well communicated."*

*"We're working to give people visibility of where the business is at. We want to maintain a sustainable business, we're communicating that so that people understand the basis for the decisions being taken. Transparency and trust is critical."*

*However, for this to be credible, not only does the strategy itself need to be fundamentally sound, but the people steering need to exude confidence and competence. These qualities are difficult to fake under pressure:*

*"There are a lot of managers masquerading as leaders around at the moment, lots of window dressing about greater fiscal responsibility....Now, as a leader, you have to know exactly what you're doing. Self-management is important. You need to find the*

*enthusiasm and the energy to lead through the crisis. [As a leader] my job is to have a strategy and vision that goes beyond the next 12 months. I need to ensure that the business will be intact and positioned to benefit from what happens in 2011. [You must ask yourself] are you critically positioning yourself for 2011 or are you just shutting down?"*

## **Remuneration**

Many respondents felt that appropriate, sensitive management of remuneration would be a central part of their retention strategy. While the expectations are certainly being carefully managed at the moment, remuneration is still a strong motivator for many people and will require some more creative thinking when costs are tight.

*"Context is very important, however remuneration remains an important motivation. These people are highly intelligent and self-motivated, but they are working harder than ever before for less."*

The focus will most likely be on maintaining a reasonable level for most people rather than aggressive increases.

*"People will only generally leave for more money if they are otherwise unsatisfied."*

However, most organisations are carefully considering the best approach to greater differentiation, and, as a couple of respondents explicitly pointed out, "you can always find more money when you really have to."

*"I'm being careful to be competitive with what compensation I offer my top performers. It will be much more differentiated than in the past. I know that when you have been disappointed with what you've been offered you reconsider your loyalties."*

## **Resilience**

Several organisations are specifically targeting the issues arising from increased pressure and stress and are working to build the resilience of their workforce, focusing particular attention on their most talented people.

*"It's important to recognise that some pockets of each business are more under pressure and more stretched than others, and to respond accordingly."  
The link between the resilience of leaders and managers on the rest of the organisation was specifically cited as a significant focus by a couple of respondents.*

*“The resilience of the leaders within the organisation [is key] – what they exude to others must be some level of genuine confidence in the future of the organisation. [We also need to be aware] of the resilience of the workforce overall – be aware of hot spots and times within the organisation.”*

*“A manager’s capability to manage through turbulence [is a very significant factor in retaining people]. We will be identifying managers who are particularly skilled and helping them to assist others.”*

### **A personal approach**

Several people cited a highly personalised approach to the relationship with their top talent as a retention strategy. They are asking - what does this individual want or need? Do I know for certain or do

I simply believe that remuneration is a prime motivator for this person, for instance? What is their full potential? Where are they heading?

*“The way I build and structure teams reflects the kind of working relationships I value myself...I look at the whole skill set of an individual, what they bring to the role in total. I try to understand their needs and look at ways that this matches a business need.”*

By thinking about talent strategically in this way, organisations can turn flexibility into a real organisational strength instead of a burden to be endured in a tight market for talent. It also demonstrates a clear and in depth understanding of the whole potential of a talented employee and what they could contribute to the organisation – something that talented people value highly and are reluctant to risk by walking away from the relationship that underpins it.

*“There are different triggers for different people – triggers that engage and triggers that disengage. It’s important to understand both for your top people.”*

*“Managers and leaders need to be prepared to seriously invest time and effort in retaining people.”*

Mutual trust and openness is obviously critical to making a highly personalised approach work. It also represents a large investment of a leader, manager and organisation’s time in building the relationship. If handled poorly, this investment is wasted.

However, it was acknowledged by a couple of respondents that this is a relatively new focus for the industry and it would be a hard thing to get right.

*“In this industry, generally, we’re not good managers. We’re good technically and commercially but not great at the people side.”*

### **Career paths and succession**

Many organisations had already done extensive work on managing their talent pool and succession plans organisation-wide before the crisis hit. Others who had just begun to think about this are making it a strong focus in order to emerge from the crisis in a strong position. For some organisations, this process has prompted them to more carefully consider the way they reward people through promotions, and who is best suited to which career paths:

*“We have seen the need to give less emphasis to promoting people who are fantastic individual contributors but really can’t manage people well. There’s always a place for the individual contributor but now we’re much more conscious and careful about how we manage their strengths and weaknesses.”*

Some have highlighted the need to be able to be creative with career paths for top performers.

*“Succession is very important – we’re analysing our career tracks, looking closely for examples of where our top performers have moved through to.”*

Some organisations have responded to the conditions by doing a close analysis of their business structure – identifying the most crucial roles – then analysing who currently occupies them. In most cases, the crucial roles are occupied by their top performers, but the analysis enables the organisation to see clearly those instances where pivotal roles are not occupied by their best people and vice versa. To have top performers “sidelined” in a non-critical role may risk retention due to lack of career opportunities.

*“We’re migrating our top performers into crucial roles wherever we can.”*

It is thought that this matching exercise will benefit the organisation as well as providing important opportunities to the individuals.

### **Shoring up leadership capability**

Several interviewees identified that the increased expectations for performance apply equally to leadership skills at the highest levels. With this also come greater consequences for poor performance. Some are extrapolating this into investment in leadership development, and are finding that, perhaps for the first time in some parts of the business, there is an appetite for it.

*“I’ve seen a massive evolution in thinking at the management level. One manager came to me and said outright that before, he’d thought all this leadership training stuff was*

*absolute rubbish, but now he can really appreciate the value of it....As an organisation we've seen the value of focusing on the quality of our leaders demonstrated in this crisis."*

### **What not to do**

Again, talented people have very strong views about what organisations should not do if they want to retain their respect and loyalty.

*"Ill-considered restructures that are riddled with politically motivated compromises, introducing layers where none existed, consolidating direct reports into a stack for convenience and no other reason."*

A couple of people reported previous experience with attempts to improve retention by tweaking their packages or contracts to provide disincentives to leave. As these all concerned attempts on the part of former employers, these measures were obviously not particularly effective.

## **4.7 Learning and development**

Most interviewees specifically discussed employee development as being a critical part of the employee value proposition and therefore highly relevant to retention. Many HR managers and business leaders made a link between the need to see more resilient, adaptable and flexible employees with deliberate efforts to foster and develop these capabilities. For some organisations, the emphasis of learning and development is shifting away from formal "training" programs to more informal means such as on the job learning, self-directed learning and learning from peers and managers.

This is partly due to L&D programs being subject to the same requirements for tighter cost management as the rest of the organisation, but also due in part to the power shift away from the employee.

Employees are likely to be challenged and stretched over the next 2 years, some will be working in areas they are less familiar with and the really driven ones will take as much as they can from their experiences rather than demanding extensive formal training.

*"We'll be looking to take greater growth and development from experiences on the job. This means the more adaptive and self-reliant employees will fare better in terms of their development."*

Being under more pressure to perform, any time spent in formal learning has to be of immediate value and application. At the same time, employees are more driven to take on more personal responsibility for their skills development rather than feeling entitled to elaborate formal programs with “feel-good” trimmings such as offsites and retreats: “We’re getting rid of all the bells and whistles.”

That said, many organisations are not keen to be seen to be aggressively winding back any formal programs but are rather focusing on cost limitation and more careful targeting of spend. A couple are actually investing more.

*“We’re spending more, but differently. It’s more targeted.”*

Many organisations are being careful to meet commitments already made to employees for investment in development, especially in the form of financial assistance for programs of external study.

*“We’re backing up our promises and maintaining trust.”*

However, in the times ahead, it’s likely that time and monetary investment in learning programs will be targeted more towards top performers, and more strongly linked to career development.

*“Really targeted development is the focus. For example, enabling people to learn from each other and to learn by doing. We created small cross-disciplinary teams of talented people to apply themselves to actual business problems – this was an exercise that was really well received.”*

*“We need to focus in on the businesses that are likely to do well, take a differential approach for skills investment.”*

A more differentiated and personalised approach brings with it a greater responsibility on leaders and managers to understand and engage with the development of their people at a deeper level. For those organisations, leaders and managers who fail to appreciate the significance of this shift in focus, and who fail to invest their time appropriately there are significant retention risks.

*“We’re looking at a highly personalised approach to development for the elite, top talent. The approach to career planning and development needs to become highly customised and a lot of it will revolve around on the job opportunities and who they are exposed to. This means a lot of responsibility falls onto line managers to do the work to understand exactly what those individuals need and want, and how to deliver it. Good managers have always understood this to be part of the job, but those who fundamentally don’t*

*“get it” will be exposed through their retention record. This applies equally to managers within organisations and to the organisations themselves.”*

In some organisations where the L&D function is agile enough, it's likely that there will be a temporary shift in emphasis toward skills that will assist people to manage and cope through the pressures ahead.

Effective learning programs are likely to include more time to enable reflection, collective analysis and learning from experiences, echoing a more reflective mood in the industry generally.

*“Previously it was a given, and so far [in our organisation] it has been safe from cost cutting. We're looking to alter the focus in the short term to provide more support about those skills that affect the environment and culture – leadership [programs], open forums that give an opportunity to reflect collectively and learn from peers.”*

However, it's important to acknowledge that these types of programs only really work in organisations where there is already a sophisticated learning culture, and even in those environments it can be very difficult to get traction.

*“While people management skills are critical, self-management skills are arguably even more important at the moment. It's a very difficult message to get across, let alone start to develop the skills.”*

## **4.8 Opportunities for organisations**

Many organisations, especially those who had not borne the brunt of the crisis, were very optimistic about the opportunities this crisis represented to upgrade talent – either by acquiring new talent that had been “liberated” by retrenchments or returning from overseas.

*“Fierce competition will back off, we'll see lots of top talent freeing up.”*

*“Return of offshore talent is definitely an opportunity but you must investigate what is driving their return.”*

*“There is a great opportunity for savvy organisations to acquire talent and shore up their relationships.”*

*“It's an opportunity for us to pick up new business and to opportunistically acquire new talent”.*

*“The quality of CVs coming across my desk is amazing!”*

*“Investment banks have traditionally not been that creative [when it comes to talent] but smart organisations who have their people strategy in place will be well positioned to take advantage of conditions.”*

Two organisations identified that new sources of talent seemed to be opening up for them:

*“One interesting effect is that we’re seeing people who were working in capital markets, treasury etc and who traditionally haven’t been all that interested in working with us coming our way. I think that this is due to a combination of less available remuneration and the increased importance of security as a driver.”*

It was also clear that some organisations were keen to take the opportunity to divest themselves of underperformers.

#### **4.9 Opportunities for individuals**

For those talented people who are resilient enough to handle this crisis, there’s a real opportunity to flourish. Several of the business leaders interviewed had not only lived through previous downturns but in fact saw some of them as having given them experiences and allowed them to see opportunities that have become the building blocks of their careers.

*“It’s an opportunity for talented people to enhance and hone their skills. Working under new conditions is a great way to get some quick development. There’s an opportunity now to evolve, develop and move up.”*

Although being stretched and challenged might not seem especially attractive prospects in an environment of reduced confidence, stress and potential fatigue, it’s clear that those who are able to embrace the possibilities of the current situation will stand out.

*“There are great opportunities for stars in a bear market. This is the time to take the initiative and to be there as the new business models take shape.”*

## **5. OVERVIEW AND RECOMMENDATIONS**

Many common themes emerged during the research concerning the likely drivers of retention/mobility for talented people, and many organisations were taking similar approaches to retention. However, the proof of the best strategies will not be seen until the crisis plays out in the comparative retention figures and in the overall performance of individual businesses.

The recommendations emerging from the research can be divided into two broad categories: recommendations for organisations generally; and recommendations for leaders and managers. Given some of the interesting findings concerning the perceptions of who might qualify as a high value employee, some recommendations are also included for individuals wishing to ensure they are considered critical to their organisation's future.

## 5.1 For organisations

The interplay between the various factors affecting retention at a team, business unit and organisational level is obviously very complex. However, there were some clear parallels between the ways in which the crisis is reportedly affecting high performers and some of the organisational strategies being employed to retain them.

**Culture, strategy and communication:** Ensure that there is a widespread, clear and consistent understanding of the organisation's current position, where its going and precisely how it's going to get there. Where unpleasant measures are being taken, such as redundancies, it's important - particularly for the intelligent, critical minds of the brightest people – for those decisions to have a clear and compelling business case that allows people to accept them as necessary. For people to want to stay with a business, there has to be some genuine hope for things to be better in the future – a sense of well-placed optimism and of future possibilities.

*“You need to demystify the environment, let people know where they stand, what they can expect. They need to be treated with respect.”*

Glossing over or avoiding the truth of what was going on in the business was identified by several interviewees as a bad move:

*“Be honest. You can't bullshit people.”*

*“We're also looking at the visibility of our leaders – getting them out of their towers and letting them be seen around the business.”*

Unfortunately, as one interviewee put it:

*“This is not something you can turn off and on. It's all the things you've done to date to build a durable culture that will make the difference.”*

**Leadership and management capability:** Many organisations have been focusing on their leadership capability for many years now, but the research suggests that one possible effect of this crisis is to heighten the impact of good leadership.

*“Improve the competence of leaders and managers. This means encouraging them to consider their communication style, to be more thoughtful, to manage themselves better.”*

Of course, these conditions also have the potential to highlight bad leadership. Some organisations are explicitly targeting poor leadership behaviour in their upper levels:

*“We’ve exited a couple of people who didn’t have the well-rounded skills required of a leader.”*

These organisations felt that they couldn’t afford to have toxic leaders and managers driving away their talented people and were prepared to take tough measures to prevent this from happening.

**Strategic talent management and succession planning:** Most people interviewed highlighted the importance of devoting time and energy to developing a good understanding of who exactly are the talented people in a business, what their potential career paths might be and what the risks are if they leave. With this information, retention measures can be targeted to those most at risk of leaving and whose departure would most affect the organisation. With many organisations having fewer resources to bring to bear on retention, being able to target efforts with some precision was felt to be a smart move.

**Differentiation:** Increased differentiation was widely reported to be under consideration as a means of retaining good people – with a limited pool of funds to spend on salaries and bonuses, ensuring that the people you really want to keep are rewarded means others will miss out. Because of the obvious risks of getting this wrong, it’s important to understand precisely who you need to hold on to in the current environment – which makes a well-rounded understanding of performance and its link to the business strategy very important.

*“It’s not about absolute performance but about relative performance – global v local, business unit, individual. That’s very complex.”*

Many of those interviewed who discussed increased differentiation in remuneration linked the ability to do this successfully back to communicating the business’s position, its future prospects and its strategy for the next few years.

*“It helps to put the money into perspective.”*

**Personalised approach:** Many managers and leaders are intending to invest time in understanding exactly what drives their best people and highlighted the importance of being creative and flexible in order to accommodate them. Several people felt that an employer/employee relationship that reflects a good understanding of an employee's personal circumstances – their preferences, talents, priorities and ambitions - is much harder to compete with than money alone.

*“We can differentiate further in terms of flexibility, share package structures and so forth.”*

With direct investment in learning & development being reduced in some organisations, access to development opportunities and support for on the job development (ie opportunities for reflection and for learning from peers etc) was identified by some interviewees as another potential avenue for differentiation.

## 5.2 For leaders and managers

Many of the organisational strategies being employed to retain top talent can also be translated into measures that leaders and managers can personally take.

**Succession planning and talent management:** Even if there is no analysis at an organisational level that applies to the structure, roles and talent within a particular group, there is nothing to prevent a leader or manager from conducting their own analysis, taking into account how individuals are performing under pressure and their potential to contribute to the business in a changed environment. Whose skills are pivotal? Whose role is pivotal? Who has knowledge that would leave a serious gap if it were suddenly lost? With this analysis in hand, plans can be made to avoid a potentially damaging departure or to minimise its negative effects.

**Visibility, communication and time:** At the core of many comments about the “value proposition” of an organisation during the crisis was the behaviour of leaders and their level of engagement in the organisation's relationship with its top people. At an organisational level, many people identified that this needed to translate to significant time invested by leaders and managers in one-on-one discussions with their people and regular group contact with their teams. There are two dimensions to this contact – on the one hand, being able to give a clear picture of the organisation's position and strategy for the future, and on the other hand being able to pick up on the triggers that engage or disengage particular individuals or teams and act on them.

*“We've had an expectation for some time that our leaders will need to stay closer to their people.”*

The level, clarity and accuracy of communication was also important – many people spoke of the importance of honesty in communications and that “hiding” or not communicating sent a very clear negative message.

**Differentiation:** Building on the previous point, having a closer relationship with key people allows leaders and managers to understand clearly how they can create a differentiated package for their top talent that doesn’t necessarily revolve entirely around money. Of course, for many people, money is still a significant, if not the significant, motivator – but remuneration packages can themselves be structured in a way that reflects the priorities and concerns of individuals. With less in the overall bonus and remuneration pools, having the information that enables more creative approaches to individual reward – which, for some people, may also include increased flexibility – might make the difference.

**Self-management:** One clear theme emerging from interviews with “rising stars” as well as people at the top of their careers was that the behaviour and demeanour of individual managers and leaders was very influential. If leaders and managers are unable to manage their own stress or demonstrate appropriate leadership behaviours under pressure, the knock-on effect on their teams is significant. It has the potential to create higher levels of anxiety than justified by the situation and makes people doubt the future of the organisation or of their own function.

*“Is my boss freaking out or is there a sense of the future, optimism?”*

**Help to manage the stress and anxiety of others:** Without giving a false sense of security, it’s important to allow people to continue to function by helping them to manage their anxiety and focus on what is productive. In some ways, it seems that simply reminding people of the context of the situation and helping put the crisis into perspective might be valuable:

*“I’m encouraging people to focus on what they can control rather than becoming preoccupied by the things they can’t.”*

*“It’s a difficult environment but in some way it’s comforting that you’re not on your own.”*

### 5.3 For individuals

While it’s clear that there will always be opportunities for highly talented individuals, the consensus from the industry also appears to be that the tables have turned in the war for talent, and employers now consider themselves to have the upper hand. It’s also clear that the overall size of the employment pool in the industry is contracting, at least for the time being, so competition for the best jobs will be fiercer than it has been for a long time. In some cases, the

compensation packages on offer may not be as generous as they have been. Add into the mix the fact that many organisations are rethinking what “talent” means for them, and you have a more challenging environment for employees, but the real stars will benefit from a much more differentiated approach to compensation, career paths and development opportunities.

**Avoiding a perception of being “high maintenance”:** Attributes that tended to make employees easier to manage received positive mentions. Those included the ability to manage stress without compounding the stress of other team members, managers or subordinates and the ability to make the most of what is readily to hand without making demands on the organisation:

*“Resistors are high maintenance.”*

Attributes such as adaptability, creativity, resilience, and an ability to see and take advantage of opportunities amid the gloom were rated as very impressive.

*“It’s a good time to pick up a few more skills.”*

*“You’ve got a front row seat at what is a really valuable learning experience.”*

*“Anyone who can pull any magic moves now will really stand out.”*