



INVESTMENT BANKS & ASSET MANAGEMENT TRANSFORMING GRADUATE RECRUITMENT

The Investment Banking and Asset Management industries are facing a serious skills gap, a problem that is partly due to the failure to respond to graduates' needs. However, leading organisations are facing these challenges in robust and innovative ways.

This sector has always offered graduates many of the most popular, dynamic and challenging opportunities. Within a short amount of time, graduates will engage in high profile and demanding jobs, and will be rewarded accordingly. The Association of Graduate Recruiters (AGR) reports an average starting salary of £36,000, the highest of all industries. This high base is matched by equally impressive opportunities for growth.

Graduates in these sectors have always been expected to earn their salaries, working very long hours and facing considerable challenges every day. This perhaps explains the skills shortage the industry faces, as many graduates no longer aspire to work in an organisation that requires long hours. Around one-fifth of graduate vacancies offered by major companies in 2006 were in this sector. This number is expected to climb more rapidly in 2007—the largest increase in any industry. Fifty percent of investment banks are expecting a recruitment shortfall in 2007. Stephanie Ahrens of Credit Suisse indicates, "Some roles go unfilled because we are not able to find the right people. This is one of the reasons we are spreading our search further for talent to include Eastern Europe, India, Australia and Canada. Skill sets are likely to become more specialised with a significant need in quantitative and technical skills for our ever-increasing needs and developments in IT, structuring and modelling areas."

Another measure of success is retention. Only 58 percent of graduates recruited by investment banks five years ago are

still employed by the firm that recruited them. This compares with an overall figure of 72 percent for banks and financial service institutions. Ahrens says, "There is a greater availability of new jobs, higher salaries and better bonuses. This is leading employees to leave perfectly good jobs for even better jobs." Although this is perhaps an inherent issue with a sector that is heavily pressured, highly paid and attractive to ambitious people, it certainly presents recruitment with a serious problem. It also highlights the need not just to identify people with talent, but also to understand what will motivate and fulfil a graduate over the longer term.

GENERATION Y: GREAT EXPECTATIONS

What makes it so hard to attract and keep the best people? Jane Clark, head of campus recruitment for EMEA at Merrill Lynch believes that a contributing factor is the characteristics of 'Generation Y.' This is the name given to people born between 1980 and the mid-1990s—the Internet generation. These young people, who make up the vast majority of new graduates, "focus strongly on work-life balance, seek out opportunities for flexible working, want well-paid jobs and tend to apply to companies with innovative, exciting brands." This is why the most popular employer brands are now organisations like Google.

Although overall applications have increased, applications for traditional investment banking roles have stabilised; jobs in areas such as 'global markets' and 'private clients' are growing in popularity. These areas are perceived as offering many of the same rewards, without the same stresses or hours. Indeed, there is a growing trend for people who have actually been recruited to opt out of investment banking in favour of organisations that do not have a 'long hours' culture, further increasing the pressure on the talent pool.

Both Merrill Lynch and Credit Suisse are finding that graduates focus more on corporate social responsibility when evaluating potential employers. This has increased the need for employers to focus on a 'sell agenda' when attracting and recruiting people, recognising the tension between being a wealth-driven enterprise and good corporate citizenship.

Graduates value mobility and flexibility. They are not seeking a job for life, but take a position to gain experience and credibility before seeking other opportunities. People with two to five years' experience are "very sought after," says Clark. It is only at this point that companies start to yield a return on the investment they have made in recruitment and training. Yet it is exactly this group of people who are most likely to leave for other companies.

Shane Kelly, of Investment Managers Black Rock, has found that one of the main factors motivating graduates to stay is clear development activity that shows a specific investment in them as individuals.

Generation Y is often seen, rather disparagingly, as 'wanting it all'. When you consider that only 24 percent of people graduating with a first degree are seeking employment, the pressure is increased still further. The remainder are either moving on to postgraduate courses or taking 'gap years'. More and more, investment banks feel that they are intensively fishing a smaller and smaller pond, inhabited by fish that are increasingly hard to entice.

However, the most successful companies are finding ways of positively responding to this challenge, whilst still pinpointing the most talented people. Finding talent is as important now as it has ever been. Competition is intense, and products have become much more complex than they were a few years ago. Stephanie Ahrens from Credit Suisse explains, "Markets are increasingly run by hedge funds, private equity houses, commodity dealers, insurance brokers and underwriters," all of which adds to the complexity of investment banking jobs. It is partly for this reason that recruitment is now more international in scope and seeks out the best people wherever they are located. It is also central to organisations' strategies to open up new markets.

GLOBAL SOLUTIONS FOR GLOBAL FIRMS

Working globally brings opportunities and challenges for graduate recruitment. Merrill Lynch has put in place rotational programmes that enable graduates employed in places such as Russia to benefit from spending time in the UK and the U.S., whilst still having their base in

their home countries. This is a good example of responding to the needs of demanding, but talented, young people. It is also recognised that people who thrive in a global investment bank need their own networks of contacts. Courses are offered that involve graduates from across the globe spending several weeks in the U.S. to foster relationships and a sense of belonging.

However, operating in this international way increases the costs involved and may further expose firms to potential losses when recruits leave.

Another positive response to globalisation is the phasing of recruitment. "The traditional 'milk round' has been extended to become a year-round event," says Jane Clark. "This is the only way in which we can get the numbers or the skills we need. Although there is still a focus on recruiting the most talented people before your competitors, people have different needs. Overseas students may take longer to adjust to where they are, and so think about career options at different times." Increasingly, recruitment and selection are year-round activities, where employers strategically meet needs by continually searching for the best people. There is also a developing tendency to look at the demographics and past recruitment trends of people from different universities so that future strategies can be tailored to meet different requirements. This is a positive example of the way in which investment banks regard graduates as individuals with unique needs and talents, and who must be attracted and assessed in varying ways.

Credit Suisse is focusing more strongly on culture-fit in recruitment in terms of organisational and national cultures. There is growing recognition that having the right skills for the job is simply not enough; successful people will be talented, and find that the environment they are operating in suits their needs, style and values.

Kenexa® is pinpointing these issues when working with its investment banking clients. Richard Alberg, indicates, "We are finding our greatest success when we understand the context in which talented people will be working. We have developed approaches that enable us to examine what an organisation's culture is really like in ways that can readily be incorporated into recruitment processes. By comparing this information with people's underlying motivations, we can make accurate predictions of who will thrive. The Return on Investment of this type of work is enormous."

Given graduates' need to work for organisations that they believe in, leadership has taken on a new, important role. Jane Clark of Merrill Lynch reveals that new graduates often say access to very senior people is important to them. There is a need for business leaders to demonstrate in a very tangible way the importance and relevance of graduates in how they do business. It has been suggested that 'Generation Y' is loyal to people, not to organisations. Therefore, it is important to develop a bond and loyalty based on personal relationships and inspiration, rather than expecting purely corporate factors to generate loyalty.

INFLUENCING IN AN ONLINE WORLD

A fascinating arena in which 'Generation Y' operates extensively is online communities. Environments such as Facebook, MySpace and YouTube provide enormous opportunities for people to express themselves and relate to one another. Some investment banks have started to advertise in these arenas. It is

too early to say how successful this is, or whether potential recruits welcome companies operating in this kind of space. However, Jane Clark of Merrill Lynch sounds a note of caution; it is important, she says, that employers don't look like "the parents at the school disco," by trying to operate in a fashionable environment in which they appear out of place. Nevertheless, this is a development that should be watched with interest.

There have also been cases where investment banks have vetted applicants in these online communities. Given people's tendencies to project a positive image of themselves when applying for jobs, this provides an opportunity for companies to see how people portray themselves in other contexts. Apart from the obvious ethical issues with this approach, it is also likely that it is a rather inaccurate source of data. After all, there is no reason to suppose that people project a more honest or rounded view of themselves on the Internet than they do when applying for jobs.

Recognising the way in which decisions are made by young applicants, some organisations are also engaging in 'helicopter influencing' by trying to engage parents. Merrill Lynch in New York held a parents' day last year, and the feedback has been very positive.

CUTTING EDGE ASSESSMENT PRACTICE

Despite the vital issues that centre on candidate engagement and attraction, some of the most effective developments are taking place in the design and running of the assessment process. Investment banks are using online tests to identify people with the raw aptitude to work in an analytical arena, and this has generated clear results. Merrill Lynch and Kenexa, working together, have found strong correlations with performance. The people who do well on the tests have much higher success rates on training courses and regulatory exams. This provides an efficient and cost-effective way of focusing the recruitment process on people likely to succeed. It means that other activities, such as more in-depth assessment of personality, or face-to-face activities that require senior people's time, can be focused on the right people.

However, with the globalisation of recruitment, it is becoming more and more important to assess people's aptitudes in their first languages. This makes it possible to be sure that a low score is due to a lack of the inherent aptitude that underlies performance, rather than a language skill that could fairly easily be developed.

Concerns about the security of online testing have largely proved to be unjustified. Most organisations use randomised question banks making it impossible to predict what questions will be asked. In any case, it is commonplace to re-test successful candidates face-to-face, rendering cheating in online tests a pointless exercise.

With the constant change and complication of the industry, there is growing focus on competencies that reflect people's ability to thrive and perform in this environment. Competencies, such as adaptability to change, handling technology, learning, flexibility and resilience, are being assessed more carefully and with positive results.

There is also a tendency to focus on commercial awareness. This is something that is often assessed in graduates. Increasingly, understanding commercial awareness is discussed with students at an early stage, enabling them to concentrate on developing themselves in this key area.

Reflecting the high-tech nature of modern roles, some of the industry's most high profile organisations are using electronic simulation exercises to assess graduates. Many of the key features of their actual working lives are created in a dynamic virtual world, allowing realistic and challenging assessments to be made in a way that not only enables objectivity, but impresses candidates at the same time. Kenexa is the leading provider of this technology. Alberg says, "We are finding that applicants genuinely enjoy being assessed in this way, finding it a stimulating and stretching challenge. Meanwhile, our clients are obtaining better assessment information this way than ever before."

It is clear that investment banks and asset managers face formidable challenges. However, organisations that succeed will do so by using cutting-edge approaches to engage graduates in a modern, respectful and challenging way. ■

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