

ATTRACTING AND RETAINING FINANCIAL SECTOR EMPLOYEES IN EMERGING MARKETS



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The forces of globalization over the last 30 years have had a profound impact on a wide range of economic issues, including the creation of the modern multinational corporation. Businesses that once focused solely on operations in San Francisco or Frankfurt may now have offices in Shanghai, Sao Paulo or Mumbai. While opportunity has multiplied—so has risk. As organizations continue to expand into new territory they tend to focus on three principle objectives: increase profits, maintain a leading position globally and use a new region's market to its advantage. This is done primarily through direct investment, acquisitions and joint ventures.

While this trend is evident across the business spectrum, the banking and finance sector has been particularly open to expansion into emerging markets. A challenge for executives in these organizations is that while opportunity beckons in new markets, high costs in existing markets can complicate growth strategies. Meanwhile, the cost of doing business and finding key talent in emerging markets is also climbing dramatically. A recent article in Bloomberg BusinessWeek highlighted this problem, pointing out that a major European bank was eliminating 30,000 jobs so they could free up financial resources to hire key talent in emerging markets. Indeed, several of the world's largest financial firms have cut back in their home markets while hiring aggressively in Brazil, Russia, India, China (BRIC) and other developing economies.

WORKTRENDS™ INSIGHTS INTO EMERGING-MARKET FINANCIAL EMPLOYEES

Compensation is the principal lever that companies have used to hire and retain talent, but as the competition for talent expands and salaries rise rapidly, executives are in search of solutions that go beyond pay. The Kenexa® High Performance Institute (KHPI) is uniquely positioned to offer insight into these solutions.

Originally launched 25 years ago in the U.S. and now encompassing 28 countries, KHPI's WorkTrends™ is an annual survey of employee engagement, performance excellence and managerial effectiveness. It is one of the foremost benchmarking and employee insight tools available anywhere in the world today and now holds the views of more than 200,000 employees. In 2011, over 30,000 employees working in more than 20 industries were surveyed in developed and emerging economies alike.

To gauge why financial sector employees join certain firms WorkTrends respondents were asked, "Why did you join your current organization?" Survey respondents were then given seven categories to assign value to when it came to making a decision.

Likewise, as a gauge to determine what makes financial-sector employees leave their jobs they were asked whether they were "seriously considering leaving my organization within the next 12 months," and also how often they "think about looking for a new job with another organization." These answers were analyzed using relative weight analysis.

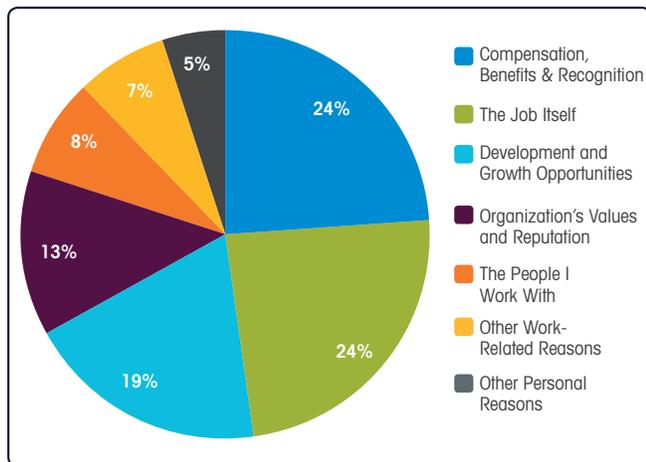
ABOUT KHPI

The Kenexa High Performance Institute (KHPI) features a multidisciplinary team of highly qualified professionals with offices in London and Minneapolis. Dr. Jack Wiley, President, oversees rigorous, global and innovative research and development programs, spanning all aspects of human capital management. KHPI produces books, academic papers for top journals and practitioner articles. For more information, visit www.khpi.com.

ATTRACTING TALENT IN THE FINANCIAL SECTOR: MONEY MATTERS, BUT IT ISN'T EVERYTHING

In order to understand what drives prospective employees to sign on with a financial organization—or leave one—it's important to look at the entire industry across all geographies. When asked why they joined their organizations, finance and banking employees said 48 percent of their decision to join their current organization was based on compensation, benefits, recognition and aspects of the job itself. This data will help hiring executives focus on pay, but it also means that more than half of what sways employees has nothing at all to do with compensation. In fact, elements such as the colleagues employees work with, an organization's values, as well as development and growth opportunities account for more than 40 percent of what entices employees. These low-cost factors can be leveraged by sophisticated executives who are looking to provide extra incentives to qualified workers in a tight labor market.

FIGURE 1: WHY EMPLOYEES JOIN IN THE FINANCIAL/BANKING INDUSTRY



DIFFERENCES BETWEEN FINANCIAL EMPLOYEES IN DEVELOPED AND EMERGING MARKETS

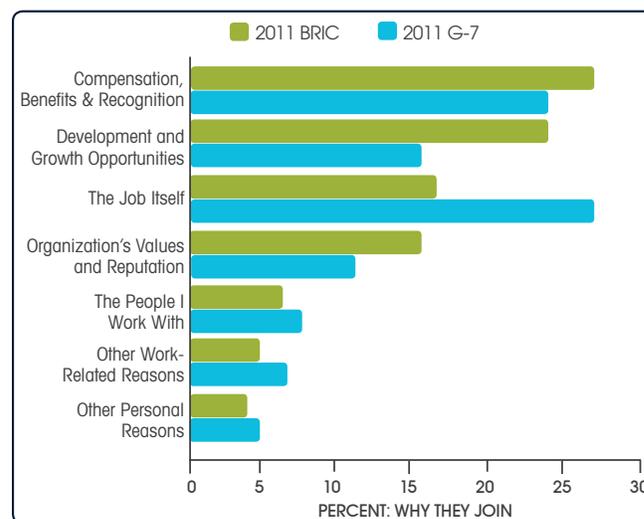
Given that compensation is of paramount importance in the financial sector in general, we then examined the differences between financial employees in the most developed nations compared to the fastest-growing emerging markets. To do this we compared employees in the G7 (Canada, France, Germany, Italy, Japan, United States and the United Kingdom) with the BRIC countries (Brazil, Russia, India and China).

Compensation is important to both groups, but it is the most important factor for BRIC employees. We suspect this is due, in large part, to lower salaries in these countries. In the G7, where salaries are generally higher, employees emphasize the job itself (27 percent) more than those in BRIC (17 percent). BRIC employees also emphasize development and growth opportunities more (24 percent) than those in the G7 (16

percent). Indeed, the most straightforward way for employees to increase their long-term salary is through career development. This suggests that organizations willing to invest in formal management training programs and other official career-development programs will be able to better attract the BRIC region's leading talent.

It is especially worth reiterating that employees are searching for more than a pay check from their prospective companies. A full 23 percent of BRIC employees listed an organization's values and the people they work with as paramount reasons for joining the organization.

FIGURE 2: WHY EMPLOYEES JOINED THEIR CURRENT ORGANIZATIONS IN THE FINANCIAL/BANKING INDUSTRY

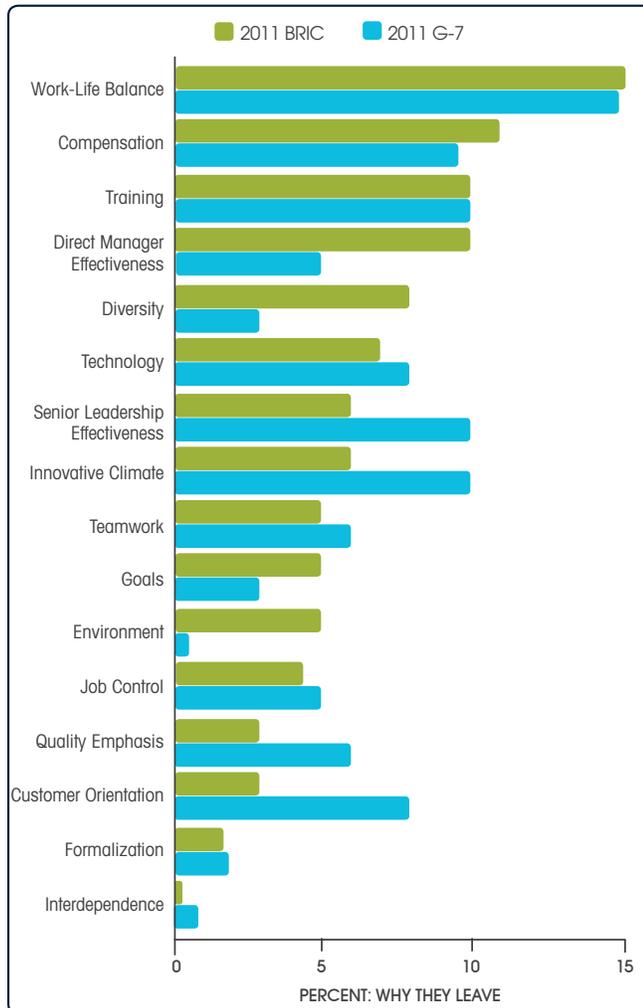


WHAT DOES IT TAKE TO RETAIN FINANCE AND BANKING EMPLOYEES IN EMERGING MARKETS?

Financial employees in emerging markets are remarkably similar to their G7 counterparts when it comes to why they leave their organizations. Unfair compensation, work-life balance conflicts and lack of growth opportunities make up over one-third of the driving force behind employees' desire to leave their organizations in both regions. Yet, there are also important differences (Figure 3). Management ineffectiveness accounts for a full 10 percent of BRIC finance employees' motivation to leave, while in industrialized nations it accounts for just 5 percent. Likewise, lack of organizational support for diversity explains 8 percent of BRIC employees' decision to quit—as opposed to just 3 percent in the G7.

For companies looking to retain their key talent in emerging markets, focusing on improving local management and diversity in the workplace should be part of retention strategies—and a relatively low-cost component at that.

FIGURE 3: WHY EMPLOYEES LEAVE THEIR CURRENT ORGANIZATIONS IN THE FINANCIAL/BANKING INDUSTRY



SUMMARY

Financial and banking organizations headquartered in the developed world are moving aggressively into emerging markets like Brazil, Russia, India and China. Competition for consumers and for key talent in these markets is fierce and is driving up salaries. Many financial organizations are laying off employees in their developed markets in order to devote capital to these emerging markets. What can organizations do to make sure they attract the best talent and keep those employees once they have them? Total compensation is a primary concern for these employees, but opportunities for career development, job training, diversity and inclusion initiatives, and an organization’s values all factor into hiring and retaining quality employees.

Organizational leaders would be well served to apply some of their resources to develop management and diversity programs, and make sure their core values are fully developed, understood and expertly communicated to their employees. These latter tools can have a powerful and low-cost impact on an organization’s ability to hire and retain the best financial and banking talent in emerging markets. ■

ABOUT KENEXA

Kenexa is in the business of improving companies and enriching lives, because to us, business is personal. Our unique combination of content, technology and services provides the insight and expertise to deliver products and solutions across the entire employee lifecycle. Where other companies focus on just one piece, we focus on bringing all of the pieces together to create the best picture for your company’s success. With every person we recruit, every assessment we administer, every technology solution we deliver, every survey we conduct, every leader we develop and every compensation strategy we support, lives are impacted by our craft.

