The Future of Work

Financial services adapts to a new reality

Foreword

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It’s clear that amid the disruption wrought by COVID-19, most business leaders are not, and should not, let the need for crisis management prevent them from thinking about the future. The disease continues to affect millions, and its effects will be felt for years to come. I’m proud to work for an organisation that’s offering support to those in need right now, but also investing in creating a better environment for all.

We’ve recently launched a new responsible business plan, Citizen Verizon. This provides direction for initiatives across the company to address digital inclusion, climate protection and human prosperity. I firmly believe that this is the right thing to do, and that it makes good business sense. To borrow a line from the plan: when the world thrives, we all win.

To reimagine our organisations for the future, we, as business leaders, must get comfortable with dealing with uncertainty. Without doubt, more change lies ahead. And so, flexibility to respond to change has never been a more valuable commodity, both in leaders and in the organisations they lead.

Understanding the trends and what other companies are doing is crucial to making informed decisions. We offer this report with a dose of humility. We don’t claim to have all the answers, but it provides many useful signposts and recommendations.

About the research.

Verizon commissioned extensive research into the future of work to create this series of reports. This included two surveys of senior business executives working in companies with annual revenue of US$500 M or more. The first, carried out in January and February of 2020, included 1,102 respondents; of which 196 (about 18%) across 16 countries identified as being in the retail sector. The second, in May 2020, saw 644 respondents, including 110 (about 17%) from retail across 16 countries.

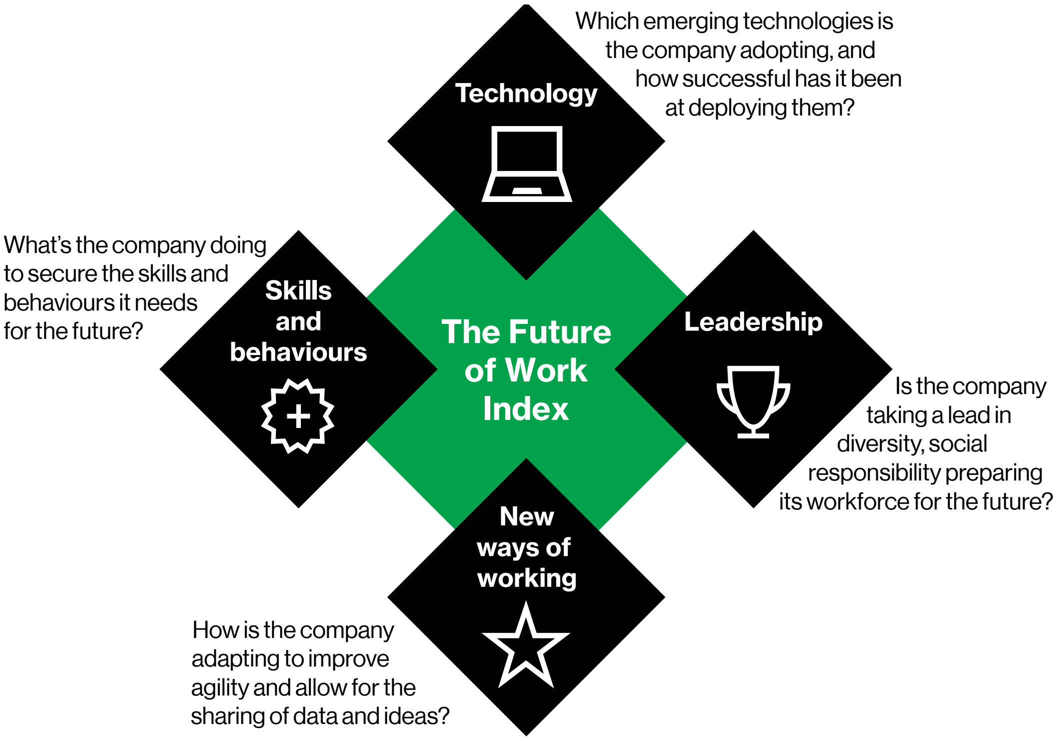
The Future of Work

To determine how ready companies are for the future of work, we commissioned an independent research company – Longitude, a Financial Times company – to conduct a wide-ranging survey. This was before the COVID-19 crisis began. To reflect on the dramatic changes to the landscape since then, we commissioned a follow-up survey as countries began to ease restrictions. These two surveys give us insight into the future of work, and how the recent crisis has affected companies' priorities and investment plans.

1.7 K

The opinions of over 1,700 senior business leaders were studied to create this report.

The Future of Work Index



The Future of Work Index identifies those companies that are more "future-ready". It's built around four dimensions.

Using the response from these surveys, we created the Future of Work Index. Each company was assessed on four dimensions: ability to implement complex digital technologies, effectiveness at breaking down internal barriers, competency of its leadership at maximising the impact of new technology, and its workforces' expertise at using those technologies.

The resulting score is a measure of the future-readiness of the company. A sector's index score is an average of the scores of the companies within that industry. In this report we'll look specifically at how financial services companies were doing on each of these four dimensions and how that changed.

Spoiler alert: most respondents said that the crisis had reaffirmed many of their strategic objectives, but in many cases accelerated investment.

6.8

Financial services companies scored above average on our Future of Work Index and ahead of many other industries.

Financial services more future-ready.

Our research found that even before the COVID-19 crisis, financial services companies were doing more to prepare themselves for the future than most.

Ahead on the Future of Work Index.

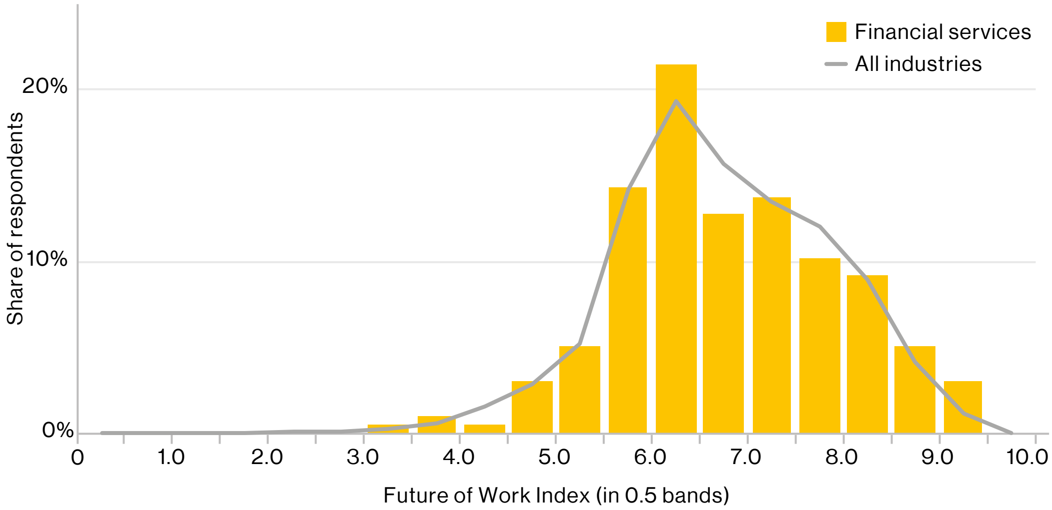


Figure 1: Spread of Future of Work Index scores in the financial services industry (Survey 1).

The financial sector's score on our Future of Work Index, 6.8 out of a possible 10, was higher than the overall survey average of 6.7, and well above those of industries such as manufacturing, media and legal services.

More future-ready than other industries.

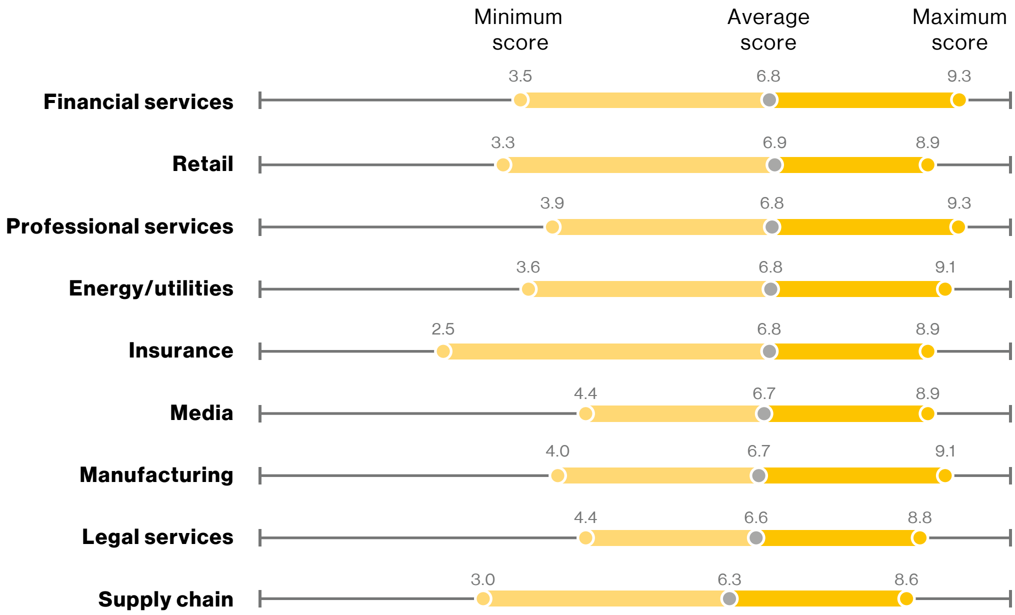


Figure 2: Average Future of Work Index score by industry (Survey 1).

Fewer Late-Movers.

When we look at the share of Pioneers (companies with a top-20% Future of Work Index score) and Late-movers (those in the bottom 20% of scores), the financial services fared well. It had slightly more Pioneers than the average, but it wasn't the leading industry. Where it stood out most was its significantly lower share of Late-movers. This indicates maturity throughout the industry.

Pioneers and Late-movers by industry.

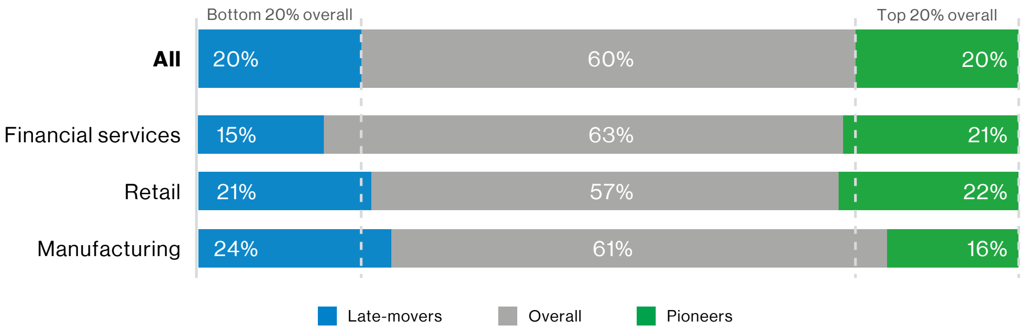


Figure 3: Share of Pioneers and Late-movers by industry (Survey 1).

63%

Across all industries, Pioneers were more likely to have seen positive results in past, including growth – 63% had achieved annual revenue increases of 5% or higher over the past three years compared to just 20% of Late-movers.

Investing for the future, despite the crisis.

Like in all other industries, most financial services respondents said that they'd suffered commercially due to COVID-19 to some degree. Just under half (49%), for example, had already seen a decline in revenue and 38% said they had lost customers.

Financial services companies are among the best prepared for disasters, with many having extensive contingency plans and even disaster recovery sites. And with so much of their business now done online, organisations like banks were somewhat insulated from the impact of lockdown. But it's too early to gauge the full effect.

The extent to which problems in other industries and consumer markets impact financial services institutions will depend on how the crisis unfolds. Over three-quarters (76%) of respondents said that the crisis underscored the importance to their business of responding to the needs of customers in difficulty or financial distress.

Encouragingly, our survey found that financial services providers are thinking about the future. Far from denting commitments to transformation, the crisis appears to have made companies more intent on following them through. In fact, a majority reported that the crisis had encouraged them to double-down on planned changes, including accelerating the deployment of new technologies and improving employee wellbeing.

We'll look at how financial services companies are responding in each of the four dimensions in the following sections.

Technology

6.2

Financial services companies did a little better than the average of all companies in the Technology dimension.

69%

Over two-thirds of respondents in the financial services sector said that their business strategy will change dramatically.

Banks and other financial institutions are often described as conservative and slow to change. But that ignores the wealth of digital innovation generated by the sector over the past decade, which has created new services and business models.

Financial institutions are putting considerable investment into developing artificial intelligence/machine learning (AI/ML) capabilities: 43% of sector respondents rated this as a top-three technology priority over the next two years and 56% plan to increase investment in it after the crisis subsides. Even more (59%) plan to invest more in 5G once economic conditions improve, which is a sign that financial services providers are preparing for the next generation of innovative applications.

Technology investments on the rise post-COVID-19.

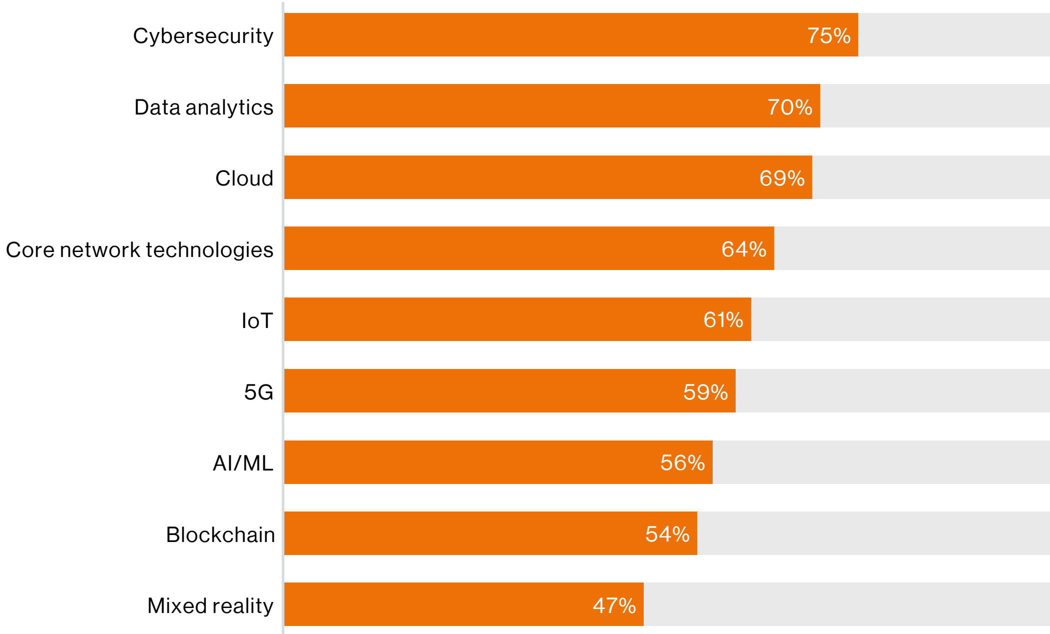


Figure 4: The share of respondents who expected their organisations to increase investment in and deployment of selected technologies after the immediate economic impact of the COVID-19 crisis had passed (Survey 2).

Banks and other financial institutions appear to be more determined than ever to push ahead with advanced technologies. As well as traditional priorities, such as cybersecurity, 70% of sector respondents said they plan to invest more in data analytics, and 69% said the same in relation to cloud enablement. The CIO, Global Collaboration, for a leading UK bank, for example, told us that the accelerated migration to cloud platforms in recent years put their organisation in a strong position to manage the sudden shift to home-working.

Financial institutions also planned to step up their cloud investment to support the substantial computing demands of advanced data analytics and AI/ML, the deployment of Internet of Things (IoT) and 5G technologies, and increased remote working. Greater investment in core network technologies will also support the growth of these capabilities.

Skills and behaviours

The financial sector outperformed most of the others in the skills and behaviours dimension, with companies that are willing to help employees adapt to change in the business. For example, over half (54%) of those we surveyed had set up an internal academy or a dedicated unit tasked with upskilling or reskilling employees. This was the highest figure across all the industries we looked at.

6.0

We saw the lowest average score (5.9) and the greatest variation in score in the Skills and behaviours dimension. Financial services companies scored slightly higher than the average.

75%

Three quarters of respondents said that developing digital skills was more important in light of the COVID-19 crisis.

Skills seen as more important following COVID-19 crisis.

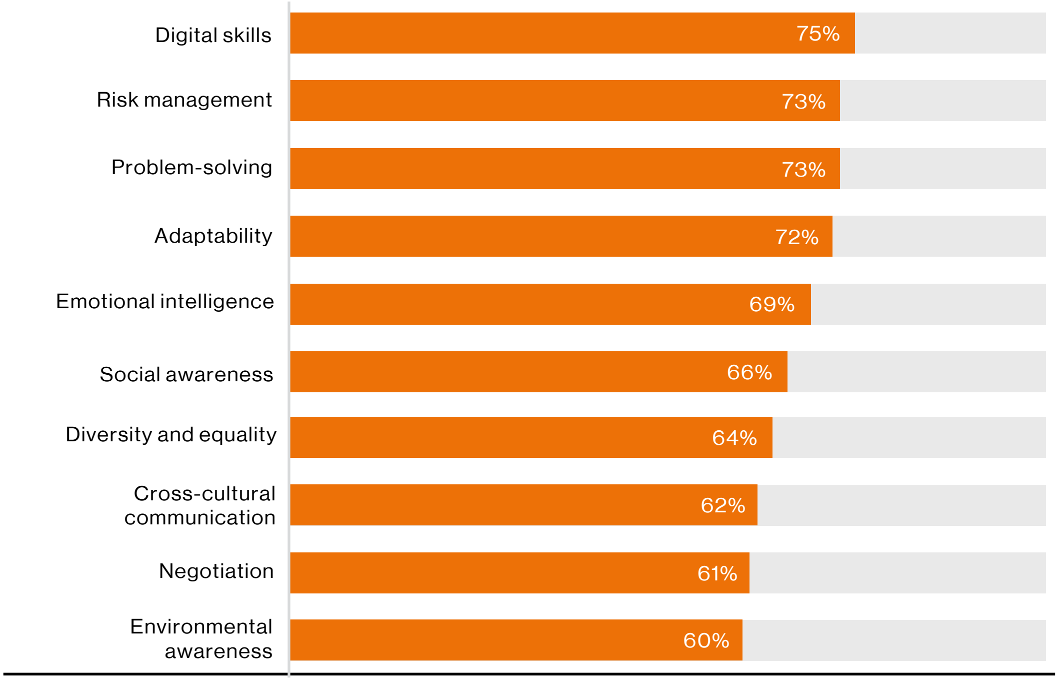


Figure 5: Share of financial services respondents who said selected skills have become more important to their organisation as a result of COVID-19 (Survey 2).

The crisis, and customers' shift to online channels, underscored – in case any executives needed reminding – just how important digital skills are to the future of financial services. Before the crisis, its executives said that digital was the most important of several different skill sets for their business.

Well into the crisis, three-quarters (75%) of respondents said developing digital skills had become even more important. Most of those surveyed during the crisis indicated that a greater appreciation of other competencies that may not have been considered high-priority beforehand. Take emotional intelligence: it was a low priority for skill development before the crisis, but 69% said it had grown in importance since; 66% said the same of social awareness.

Leadership

7.6

Leadership was the dimension where we saw the highest scores. And financial services companies scored a little better than the average.

69%

Over two-thirds of respondents in the financial services sector said that their business strategy will change dramatically.

Our second survey demonstrated the adaptability of financial services management teams. For example, 69% of respondents (more than in all other sectors but one) said their business strategy will "change dramatically" as a result of the crisis. This extends to corporate social responsibility (CSR) obligations.

The growing importance of people-focused strategies.

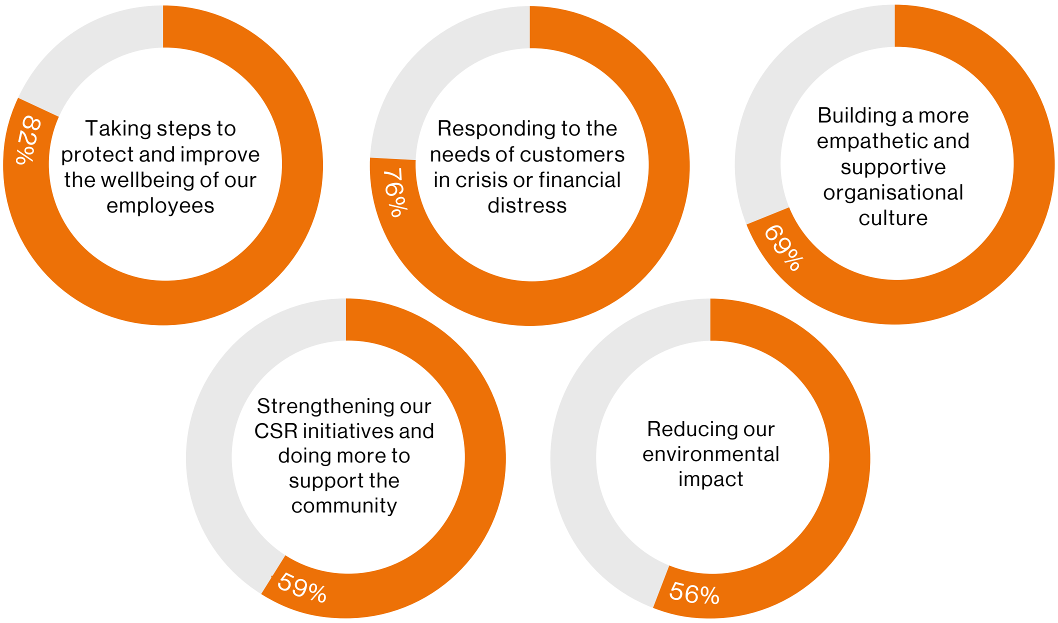


Figure 6: Share of financial services respondents who stated that selected factors will become more important to business strategy as a result of COVID-19 (Survey 2).

We have already heard how the sector has helped to alleviate customers' financial difficulties, and more financial sector respondents than those in other sectors emphasised the heightened importance of social responsibility. For example, 82% (a figure matched only by manufacturers) said that improving their employees' wellbeing was now more important. Over two-thirds (69%) said the same of building a more empathetic and supportive organisational culture. And 64% pointed to the heightened business value of increased workforce diversity.

New ways of working

Widespread remote working is sure to continue in the financial sector: the vast majority of financial services respondents (82%) highlighted the heightened need to expand policies that support it. The CIO, Global Collaboration of a leading UK bank believes that banks' success in this area will give them the confidence to make other changes to modes of working, for example in the design of office space and how they employ talent.

Financial institutions also acknowledged that they need to improve the flow of data across internal boundaries, and this will be important if they want to take full advantage of their increased investments in advanced data analytics. More respondents than in other sectors (71%) said the crisis has made barrier-free data flows more vital than ever. Among the benefits they expected was an increase in their ability to respond quickly to new market opportunities, which is likely to rise in the wake of the crisis.

Business priorities reaffirmed.

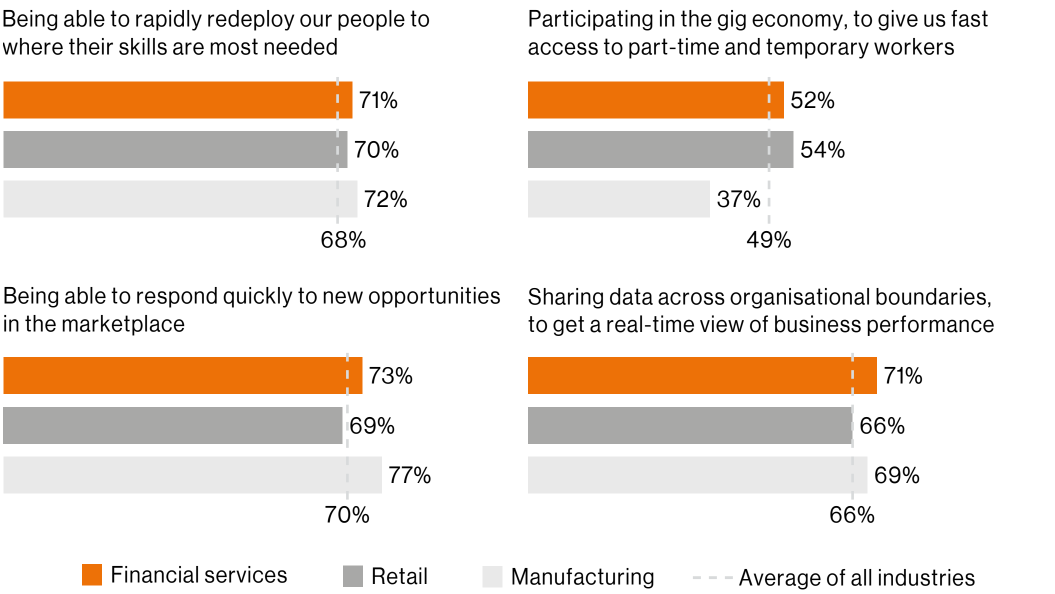


Figure 7: Share of financial services respondents who stated that selected factors will become more important to business strategy as a result of COVID-19 (Survey 2).

7.4

Financial services companies were slightly ahead of the average of all companies in the New ways of working dimension.

71%

Most respondents said that the COVID-19 crisis had made barrier-free data flows more important.

Final word

It's not unusual for companies to take stock and rethink their strategy after a major incident. What is unusual is how many people, and how many businesses, have been affected COVID-19. Unfortunately many companies will not survive the crisis, but for many it will provide the opportunity to rethink their plans, improve their business and emerge stronger. These are the areas that we believe companies should focus on.

Technology

Fast-track emerging technologies.

AI/ML, automation, and cloud technologies have already proven their worth to financial institutions – both before and during the crisis. Along with 5G and core network technologies, they could help you to position your institution for the next stages of growth.

Think platforms.

Technology changes fast. As financial transactions move almost entirely online, think about creating platforms that can help you become more agile and adapt to changing technology and emerging business threats and opportunities.

Skills and behaviours

Strengthen training programmes.

It's common to talk about technologies such as AI/ML eliminating jobs, but that's just part of the picture. New technology is changing many existing roles and is likely to create many new ones. Training to help prepare your employees and your organisation has never been more important.

Balance your priorities.

The COVID-19 crisis has highlighted the importance of empathy, emotional intelligence, ethical reasoning and other "human" skills. Investing in nurturing these skills can help your organisation to embrace new ways of working, enhance your social responsibility programmes and improve your ability to cope with change.

Leadership

Write your own rules.

No one expects you to have all the answers, but you can set the tone and write the new rules. Don't let old working practices, outdated strategies or legacy systems hold you back. Imagine the future you want for the business and start working towards it.

Commit to social responsibility.

Reducing carbon emissions working with local communities and improving diversity are not just the right things to do, they make good business sense. Attracting the best talent is key to business success, and not actively breaking down barriers could hamper your company's future.

New ways of working

Lead change instead of reacting to it.

The experience of mass remote working during lockdown has made many companies rethink traditional models. Don't wait for regulation or talent shortages to force your hand. Start by analysing which roles may adapt to new ways of working more easily in the future.

Learn from others and work with them.

No matter how many smart people there are in your organisation, there will always be more outside of it. There are already many examples of exciting collaborations between established organisations and new Fintech companies. Look for ways to build an ecosystem that brings new ideas and specialist skills to your organisation.

Find out more

Full report

Read the full Future of Work report for more details of this research.

Webinar series

Watch our series of Future of Work webinars.