

Driving Performance in Financial Services

*Critical Leadership Capabilities
Your Organization Needs*

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Center for
Creative
Leadership®





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INTRODUCTION

Leading in Times of Change and Uncertainty

Today's financial services organizations find themselves navigating a period of unprecedented disruption. A host of new technologies, regulatory requirements, and market factors are upending long-held business models and how financial institutions work. A few examples:

- **Digital transformation.** Legacy infrastructure is stretched to support new ways of engaging with customers. Organizations are using an accelerating wave of technological innovation to simplify operating models, reduce operating expenses, and enhance the customer experience. They are adopting new platforms, predictive analytics, and artificial intelligence solutions, exploring the use of blockchain, and leveraging data to build new ecosystems and enhance products and services.
- **New competitors.** Traditional players face new competition—both from the top down and bottom up. Will Google, Apple, Facebook, or Amazon become the next financial services giant? Will new crowd-funded “fintech” companies get traction and capture market share? The only thing certain is uncertainty.
- **Regulatory pressures.** A rapidly evolving regulatory environment is forcing a renewed focus on risk management and compliance, including solvency and capital adequacy, investment services and activities, financial crime prevention, and data protection.
- **Cybersecurity demands.** Defending sensitive data is one of the greatest challenges faced by the industry. As cybercriminals continue to become increasingly sophisticated, internal teams must ratchet up their own capabilities to stay a step ahead.
- **Client expectations.** In today's digital economy, customers want to interact seamlessly across channels and expect products and services tailored to their life stage. They are less loyal, know what they want and when they want it—and that means now. They demand ever-higher levels of service and value, making customer-centric innovation a top priority.
- **New distribution models and ecosystems.** Digital-only financial institutions are becoming a real competitive threat. With today's emphasis on anytime, anywhere online transactions, organizations are reimagining their physical “bricks and mortar” footprint and building omni-channel customer experiences. Third-party partnerships are helping them drive income while reducing costs.
- **Talent realignment.** While software development, cybersecurity, and customer service are soaring in importance, so are people factors. Strong leadership skills are a must as financial services teams and organizations sail through turbulent waters. They need individuals who are open to new, innovative ways of working and who are equipped to inspire and lead others.



Research-Based Leadership Insights

In the face of this brave new world, what leadership competencies are most critical to success in financial services? And how do current leaders in the industry stack up?

To shed light on the leadership challenges of the financial services industry, the Center for Creative Leadership (CCL®) research team analyzed data from Benchmarks®—our 360-degree assessment tool. This cumulative database reflects years of research and feedback involving thousands of leaders around the globe, including those from 60-plus financial services organizations.

Benchmarks uses 130 behavioral questions to measure how each leader stacks up against 16 leadership competencies shown by multiple studies to be most vital to success on the job:

Critical Leadership Competencies

1. **Self-Awareness.** Has an accurate picture of personal strengths and weaknesses and is willing to improve.
2. **Strategic Perspective.** Understands the viewpoint of higher management and effectively analyzes complex problems.
3. **Career Management.** Takes advantage of mentoring, professional relationships, feedback channels, and other effective career management tactics.
4. **Change Management.** Effectively facilitates change initiatives and is able to overcome resistance.
5. **Participative Management.** Proactively involves others. Knows how to listen and build commitment.
6. **Collaborative Relationships.** Cultivates productive working relationships with coworkers and external parties.
7. **Compassion and Sensitivity.** Shows genuine interest in others and is attentive to employee needs.
8. **Taking Initiative.** Takes charge and capitalizes on opportunities.



9. **Composure.** Demonstrates self-control in difficult situations.
10. **Decisiveness.** Is comfortable making quick and appropriate decisions.
11. **Being a Quick Study.** Rapidly masters new technical and business knowledge.
12. **Leading Employees.** Knows how to attract, motivate, and develop employees.
13. **Personal/Work-Life Balance.** Balances work priorities with personal life.
14. **Putting People at Ease.** Displays warmth and a good sense of humor.
15. **Confronting Problem Employees.** Acts decisively and with fairness to address issues as they arise.
16. **Respect for Differences.** Values people of different backgrounds and cultures.

In the pages that follow, you will see what our analysis uncovered about the greatest leadership challenges and opportunities in the financial services industry.



Focusing on Financial Services

What leadership competencies are in highest demand?

As we took a deep dive into our data, we explored how executives who provided feedback on leaders in their organization rated the relative importance of the 16 Benchmarks competencies. **More than 8 out of 10 rated “taking initiative” as the most important quality for effective leadership.** Following closely behind were “change management,” “decisiveness,” “strategic perspective,” and “putting people at ease.”

Most Important Leadership Competencies

(Ranked by the percentage of leaders who rated them as important)

1. Taking initiative <ul style="list-style-type: none">• Takes charge when trouble comes.• Seizes opportunities.• Capitalizes on autonomy.	82%
2. Change management <ul style="list-style-type: none">• Views change positively.• Adapts as necessary.• Manages resistance to change.• Involves others in designing and implementing changes.	76%
3. Decisiveness <ul style="list-style-type: none">• Doesn't hesitate when making decisions.• Takes action when it is needed.	73%
4. Strategic perspective <ul style="list-style-type: none">• Exhibits a future focus.• Effectively analyzes complex problems.• Is able to set direction and communicate a clear vision.	73%
5. Putting people at ease <ul style="list-style-type: none">• Builds good relationships with stakeholders up and down the chain of command.• Interacts comfortably with executives.	69%

How do current leaders stack up?

Do individuals now working in financial services have the leadership competencies executives say are important for success? To answer that question, we averaged the Benchmarks competency scores given to more than 1,400 financial services leaders by 12,675 of their bosses, coworkers and direct reports. We then compared those scores to the competencies rated most important for success in financial services.

Current leaders were rated comparatively highly in 3 of the 5 competencies in greatest demand by financial services teams: taking initiative, strategic perspective, and putting people at ease. They received comparatively lower scores for decisiveness—and especially for change management.

Top 5 Competencies	Importance Rating Ranking (out of 16)	Performance Rating Ranking (out of 16)
Taking Initiative	1	5
Change management	2	13
Decisiveness	3	7
Strategic perspective	4	4
Putting people at ease	5	2

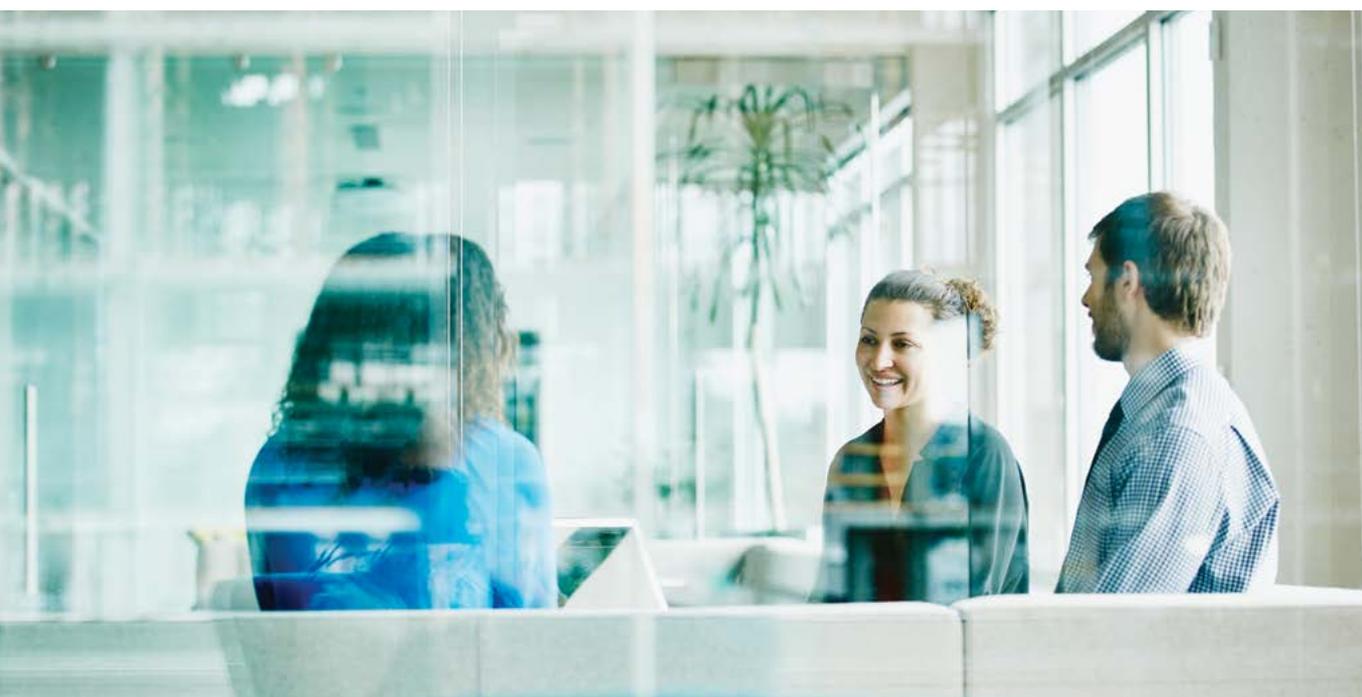
What factors are most likely to derail a leader's career?

Why do leaders once seen as having great potential reach a plateau or “crash and burn” instead of fulfilling expectations? CCL's data shows there are 5 common derailment factors that have remained constant over time and across country borders and cultures.

Common Derailment Factors

1. Problems with Interpersonal Relationships
2. Difficulty Building and Leading a Team
3. Difficulty Changing or Adapting
4. Failure to Meet Business Objectives
5. Too Narrow a Functional Orientation

When we compared these factors to our Benchmarks data, “having too narrow a functional orientation” stood out as the top risk factor for leaders in financial services. Individuals who have excelled in their functional role may need opportunities to broaden their people skills and strategic perspective before they step into leadership.



Taking Action

Leadership Development Strategies for Financial Services

Investing in leadership development is more critical for financial services organizations today than ever before. One example: In PwC's CEO Survey of the financial services industry, **nearly 3 out of 4 executives said their growth is threatened by the limited availability of the skills their organization needs.**

The stakes couldn't be higher. Without the right people skills, how do you build and align a team that can navigate today's marketplace disruptions? How do you create new business models that respond to rising client expectations? How do you make the most of digital transformation, compete effectively against new market players, and respond to regulatory pressures and cybersecurity threats?

It's time for human resources and talent development teams to double-down and reimagine a path forward. Rather than adopting a "one-size fits all" approach to leadership development, focus first on what matters most. **Make it a priority to shore up the 2 areas of relative weakness identified in our Benchmarks study. Preserve and reinforce the 3 areas of leadership strength.** And help promising leaders avoid career derailment. Below are some tips and suggestions to get you started.

Close the Gaps

Change Management

Research shows change initiatives fail more often than they succeed, regardless of how much time and resources are invested. So how will you make certain the critical projects your organization pursues actually pay off? How will you get the desired results from a new digital transformation project, customer service model, retail strategy, or other significant change? You're going to need leaders with the right skills.

To shed more light on effective change management and what it involves, CCL surveyed senior executives in our Leadership at the Peak program about what they've observed. They helped us define 3 types of competencies that are fundamental to effective change management.

1. **Communication.** Leaders need strong, strategic communication skills—the ability to articulate not just the “what,” but the “why.” They must be able to create buy-in by clearly communicating the purpose of the change and the benefits your organization will experience.
2. **Collaboration.** Successful change managers break down silos and work across organizational boundaries—from the back office to the front office and from entry-level workers to the executive team. They involve employees in collaborative decision-making to create a sense of ownership.
3. **Commitment.** Change is difficult, but leaders who negotiate it successfully have “change endurance.” They are resilient, persistent, and willing to step outside their comfort zone. They avoid burnout by taking the time to reflect and focus. They remain positive, patient, and model the behavior they need from their team.

To develop change-capable leaders, offer initiatives that focus on these 3 “Cs.” Create special development programs devoted to leading change, or add modules on change management to your existing leadership development curriculum.

Decisiveness

Is now the time to enter new markets? Reduce the branch network footprint and go digital? Launch new apps that respond to customer demands for anytime, anywhere access? Decisive leaders feel a sense of urgency. They know how to unravel complex information, make prompt and effective decisions, and keep things rolling. It's a capability highly prized by financial services firms facing complexity at every turn.

To boost *decisive* decision making, create processes that help leaders access and evaluate relevant information. Help them build their inductive and deductive thinking skills. Offer development opportunities that allow them to practice decisive decision making in a safe, risk-free setting. Encourage them to set aside quiet time for reflection—helping them build their endurance for change and their ability to remain calm, clear-headed, and focused.

Maintain Strengths

While many financial services leaders are relatively skilled at 3 of the top 5 leadership priorities in our Benchmarks analysis, it is important to take steps to ensure these high-priority capabilities remain solid strengths.

Taking Initiative

Managers who take initiative are not only decisive, but are also willing to step up and take charge—even when trouble is brewing on the horizon. When a system failure impacts service delivery or a new competitor is nipping at your heels, these are the team members you can count on. They have a strong sense of self and are prepared to capitalize on new opportunities that can propel your organization forward.

To sustain and extend current strengths in “taking initiative,” **provide managers with opportunities to learn through experience by taking on new roles or new projects.** Empower them to make decisions and work across organizational boundaries to break down functional silos and overcome traditional hierarchies.

Strategic Perspective

Leaders with a strategic perspective understand the viewpoint of the senior executive team. They know where their organization is headed and can effectively analyze complex problems. They don’t get bogged down in day-to-day minutiae.

To sustain and extend this current strength, rethink your leadership training. Traditional programs focus on “horizontal” development and on teaching specific new skills. Leaders might learn how to conduct a more effective performance review or better engage their team. **To build strategic perspective, you need vertical development that helps leaders think in more systemic, strategic, and interdependent ways.**

Offer opportunities for leaders at all levels to meet and interact with senior executives in informal settings to broaden and challenge their point of view. Encourage them to seek and integrate input from stakeholders. Offer mentorship programs that match emerging leaders with seasoned executives.

Putting People at Ease

Managers who excel at putting people at ease show warmth and a good sense of humor. They are able to build solid relationships with a variety of stakeholders, including those up and down their chain of command. They interact comfortably with senior executives, colleagues, and direct reports.

Leaders can only put others at ease, though, when they are at ease. They need to know themselves and become comfortable in their own skin. **Provide opportunities for 360-degree feedback and other assessments that can help individuals understand themselves and how they are currently perceived.**

Encourage them to network and look for opportunities to work with new individuals and new teams on ad hoc projects. Such experiences can help them practice their people skills and build the trust needed to produce positive results.



Avoid Derailment

Since skilled leaders are hard to find and recruit, it's important to protect your investment and help current members of your team stay on track. Offer opportunities for individuals to break free from their narrow, functional focus. Offer developmental assignments that broaden their experience and perspective.

Encourage “zigzag” career paths that feature both lateral and vertical movement. If someone is working in investment banking, offer a transfer to a new position in a retail setting. Move a customer service manager to a new opportunity in marketing, risk management, or other functional role.

Taking on an assignment in a different area of your organization can help managers see the “big picture.” They can learn to build relationships with different people in different ways—before it becomes a job expectation.





CONCLUSION



Strengthen Leadership Capability to Address Disruption

As financial services teams navigate new technologies, new regulatory trends, and an ever-evolving cast of competitors, they need strong, forward-looking leaders who are able to push ahead in the face of seemingly unending disruption.

CCL's Benchmarks data shows that many leaders in the financial services sector already have important capabilities they need to succeed, including a strategic focus and the initiative needed to step up and take action when it is needed the most. They also have the ability to put people at ease, which works in their favor as they strive to build commitment and align teams behind shared goals.

But there is important skills-building that remains to be done. **In the face of the unrelenting industry upheaval, many leaders lack effective change-management skills or the decisiveness needed to weigh options and to make choices about the best approach.** They also are likely to have a narrow, functional focus—lacking experience in working across organizational boundaries.

Don't risk being left behind. Focus on developing the important leadership competencies that financial services organizations need to thrive amid new business models, processes, and practices. The time to act is now.



How CCL Can Help

CCL is uniquely positioned to design and deliver leadership development initiatives for institutions in the financial services sector. We bring decades of research to the table, as well as practical experience involving thousands of financial services leaders worldwide.

Our Global Financial Services Leadership Solutions can help you accelerate business results by targeting specific areas that can serve as levers for change in your organization. Our services include research and assessments, coaching solutions, open-enrollment programs, and custom-tailored programs that jumpstart the right kind of learning at the right time.

Contact us today to find out more.

To learn more about this topic or the Center for Creative Leadership's programs and products, please contact our Client Services team.

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