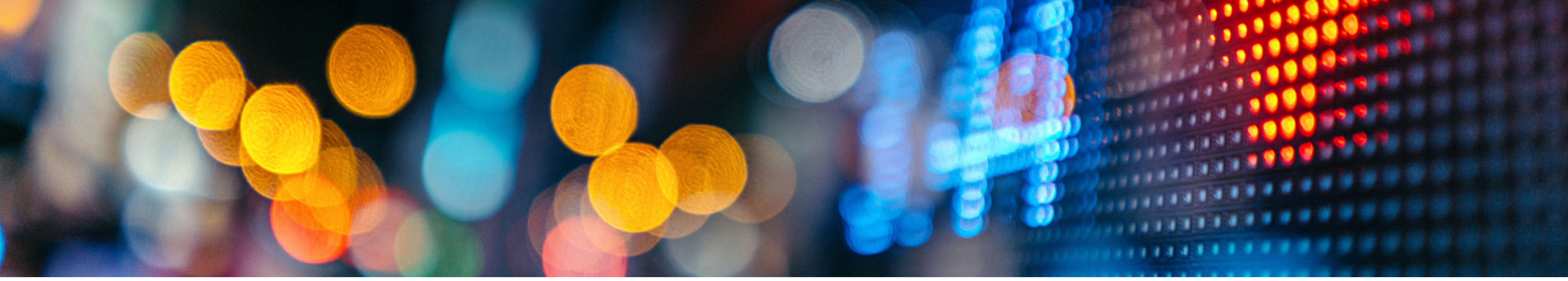
From The Great Resignation to The Great Uncertainty

Retaining Senior Leaders in Financial Services



The financial services industry has been particularly affected by the "great resignation" trend observed globally for the past few years. In Russell Reynolds Associates' 2022 Global Leadership Monitor survey, 74% of financial services executives surveyed said that turnover in their organization had increased in the last year, the highest across any industry.

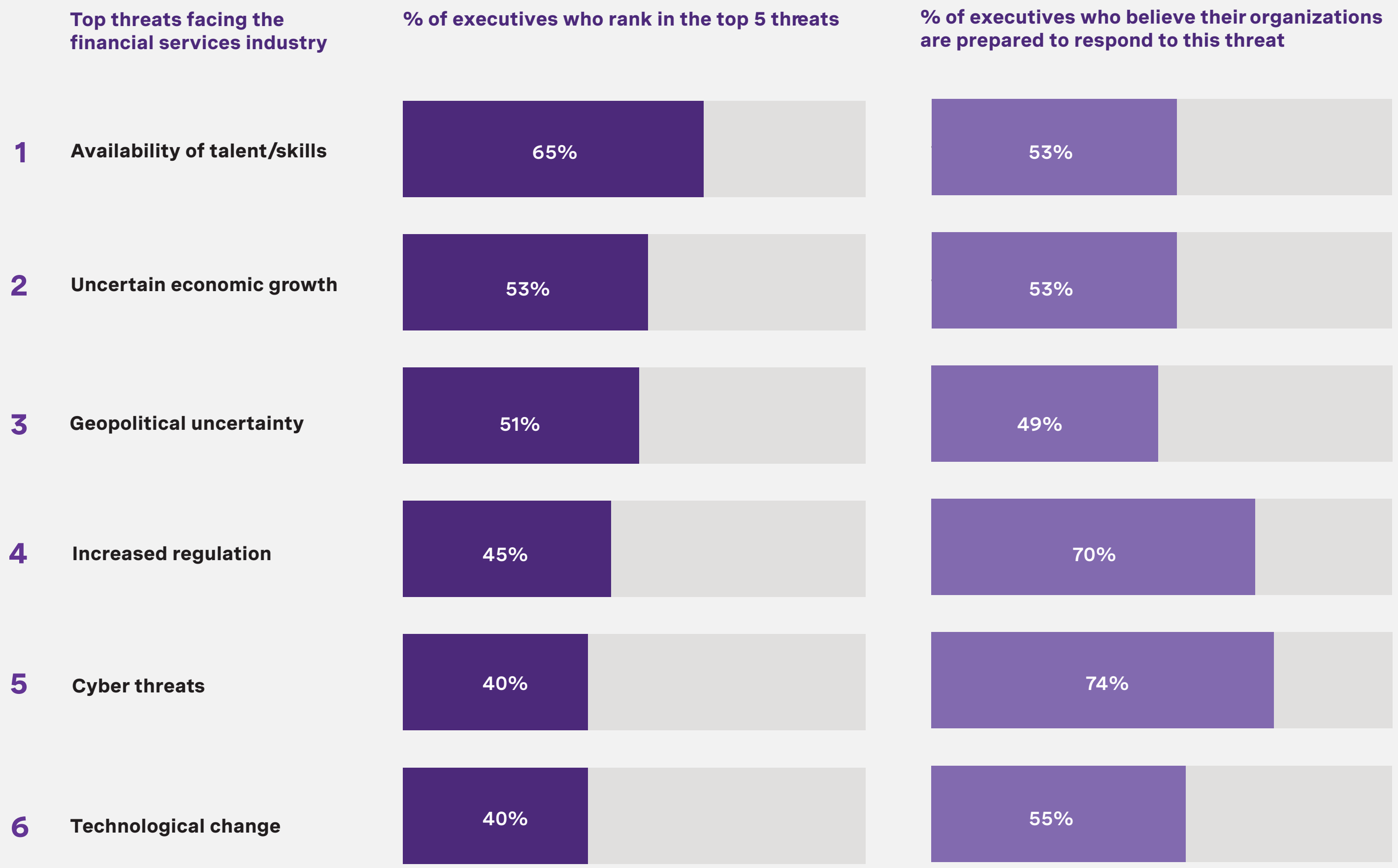
The financial services industry reports high rates of turnover

% of executives who say that turnover in their organization has significantly or somewhat increased in the last 12 months

Source: RRA 2022 Global Leadership Monitor, base n = 321 global financial services executives, n = 1590 executives across industries

As the global labor market cools owing to economic conditions, we may now be emerging from The Great Resignation and entering a period of The Great Uncertainty. Investing in talent will remain crucial during this period, and the financial services industry at large still lacks solutions. Financial Services leaders are aware of the scale of the issue with executives ranking "availability of key talent and skills, as the most pressing concern for their organization, even ahead of a negative economic outlook and geopolitical uncertainty. However, only about half of financial services leaders feel that their leadership is prepared to handle this threat.

Talent is cited as the top concern for financial services organizations, but leaders feel that their organizations are relatively unprepared to address this threat



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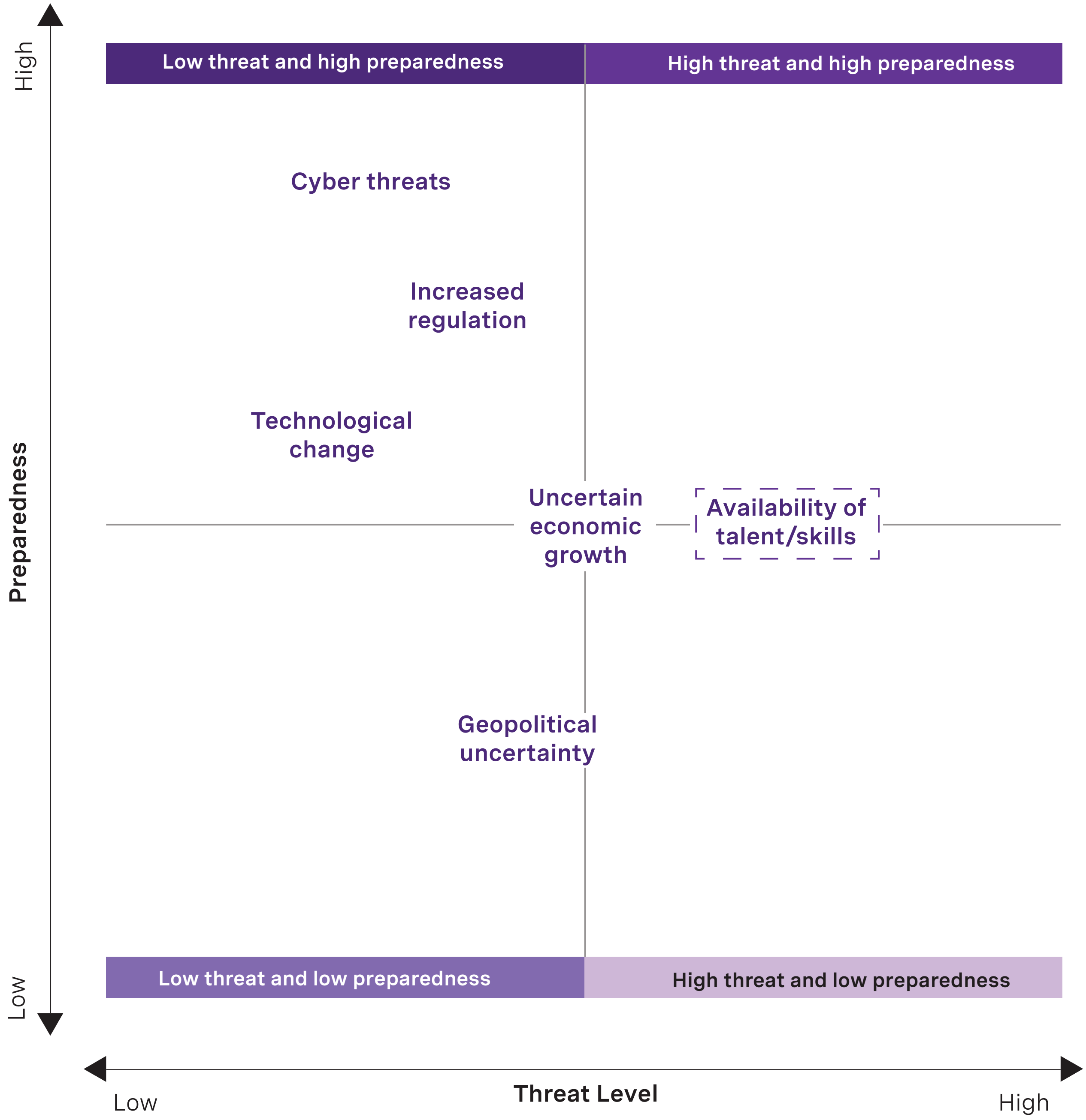
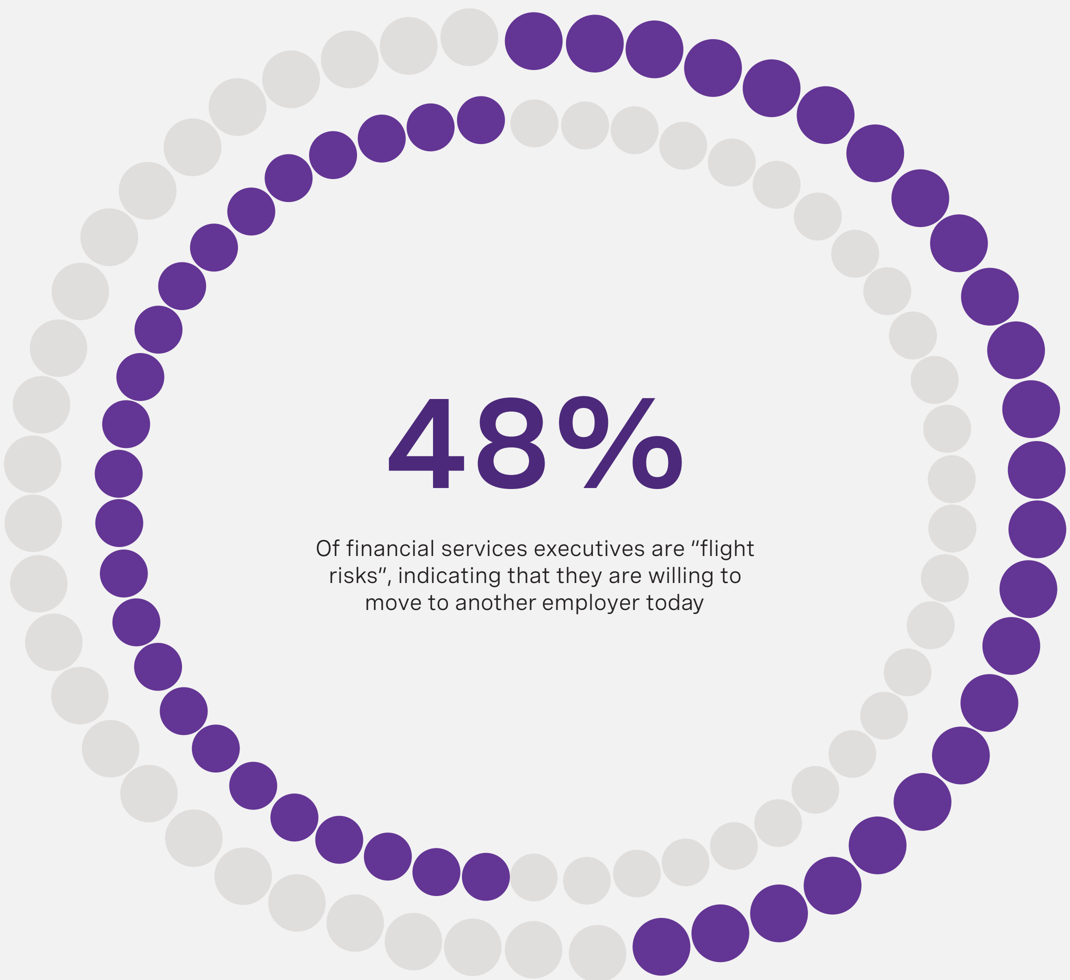


To date, talent attraction and retention strategies have focused on younger (and more junior) staff, from flexible working arrangements and well-being bonuses to extra days off and increased compensation.

Although these strategies are important to the wider employee population, they are missing the mark for senior executives. Our research shows that the leadership ranks should not be overlooked. In our survey of more than 300 senior financial services executives, almost half indicate that they are willing to move to another employer today, and more than a third are willing to move to another industry. This paper seeks to explore what's driving "flight-risk" executives away, and what strategies could help retain them.

Financial institutions face attrition at the most senior levels



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Why are senior executives leaving?

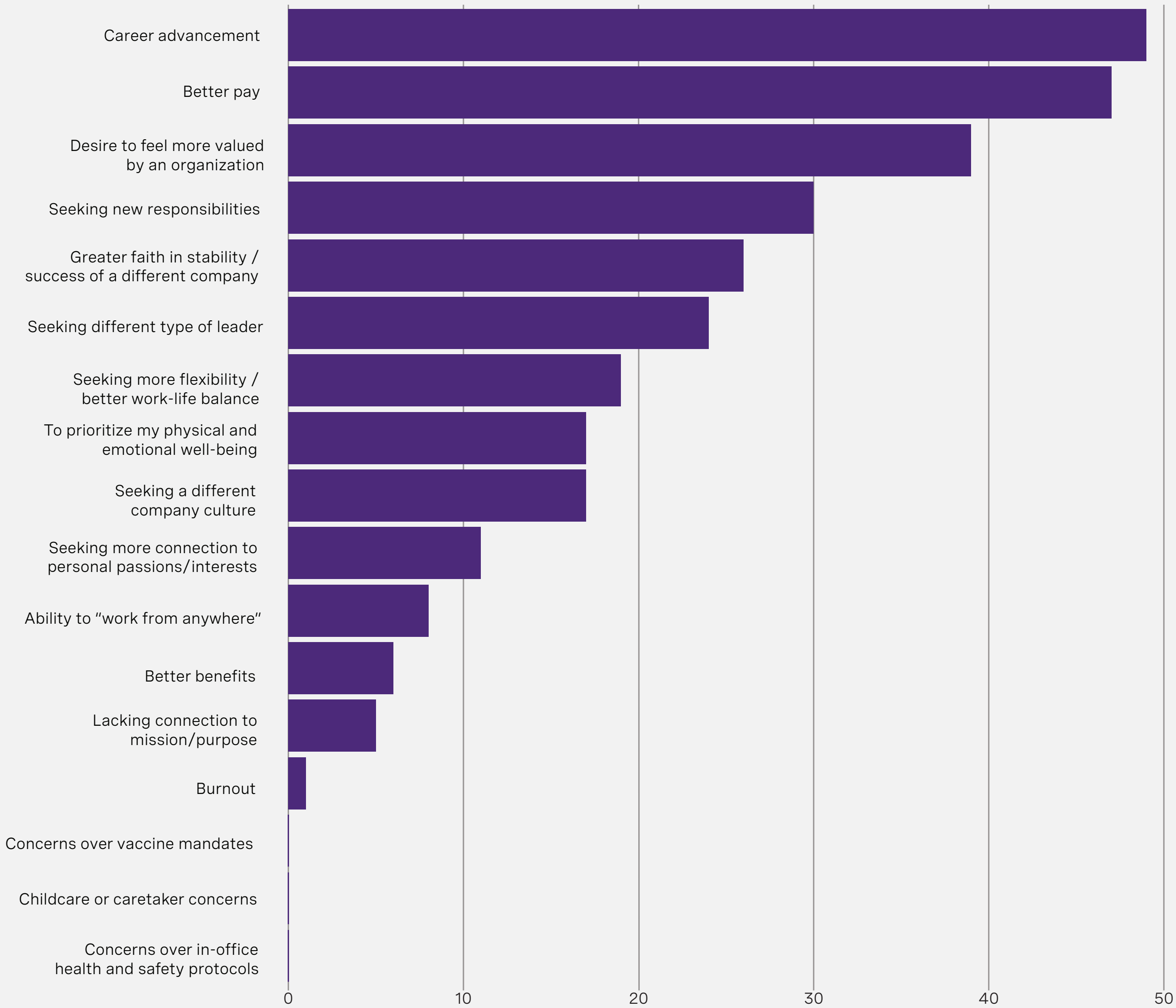
Compared to the broader employee population, senior executives have a different set of considerations for wanting to leave their jobs. Our findings point to several key triggers.

Desire for career advancement

Among the flight risks, almost half cite career advancement as the main factor behind making a move, followed by better pay and a desire to feel more valued. While other employees may be leaving their jobs for reasons such as work-life balance, well-being, and flexible work arrangements, senior executives rank these factors much lower. Rather, the flight-risk cohort at the executive level wants to take on more responsibility - and even aspires to be CEO - but does not see a clear path to a larger role.

Career advancement is the top motivator for flight-risk executives

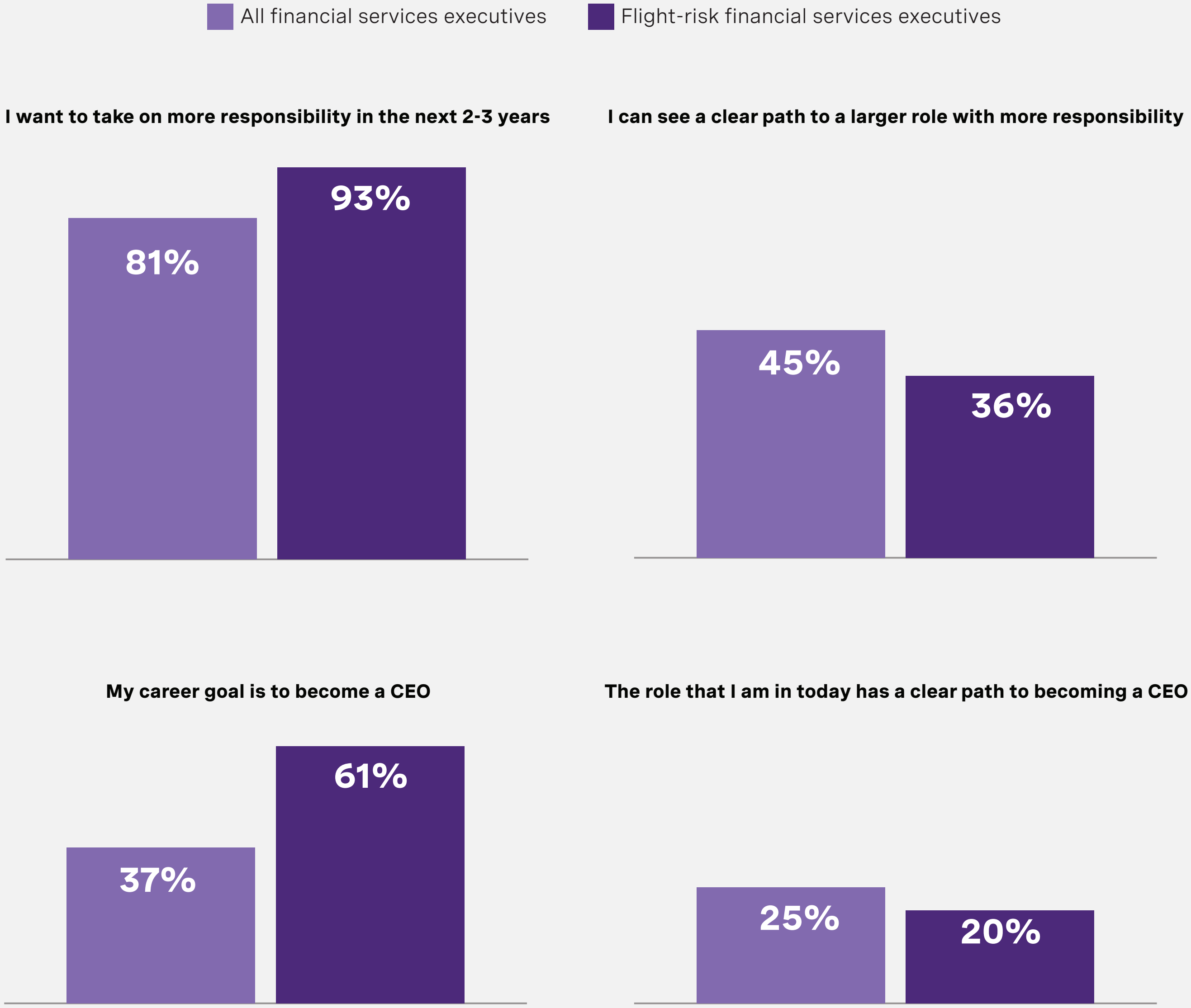
% of "flight-risk" executives ranking factor as the most important for willingness to change employer



Source: RRA 2022 Global Leadership Monitor, base n = 321 global financial services executives

Flight risks are seeking larger roles and more responsibility, but do not see a clear path upwards

% of executives agreeing or strongly agreeing that:



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Lack of confidence in "top of the house" leadership

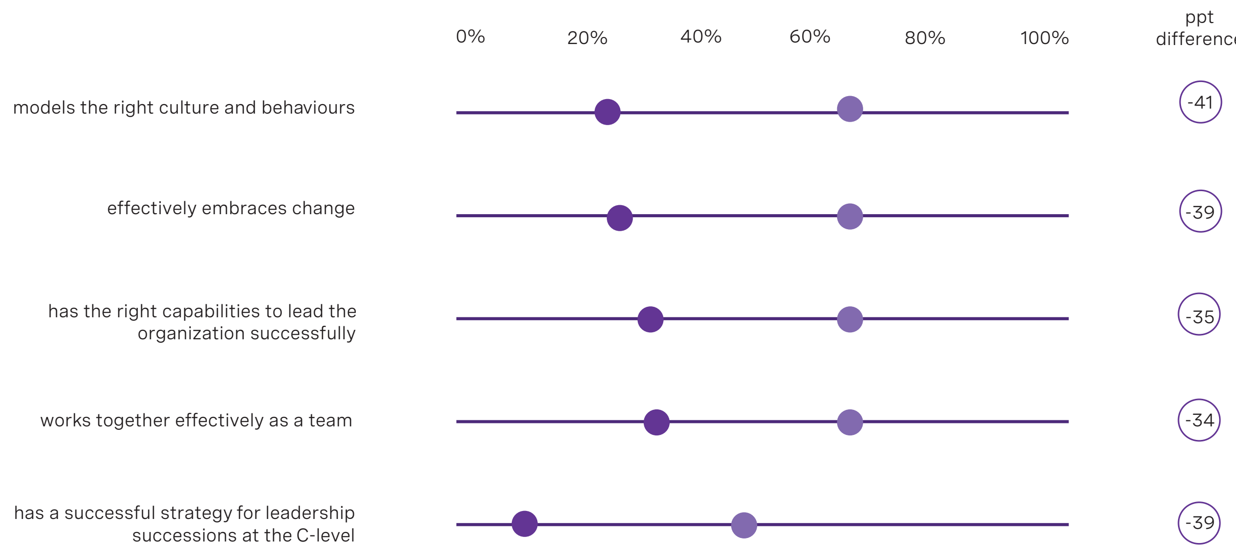
Compared to their counterparts, flight risks are less likely to say that their executive team and board have the requisite skills, experiences, and capabilities to lead the organization successfully into the future. Flight risks also have greater skepticism about the top-of-the-house's ability to work together effectively as a team, model the right culture and behavior, or manage C-suite succession. It appears that the saying, "people don't leave jobs; they leave managers" holds true even at the highest levels.

Flight-risk financial services executives

All financial services executives

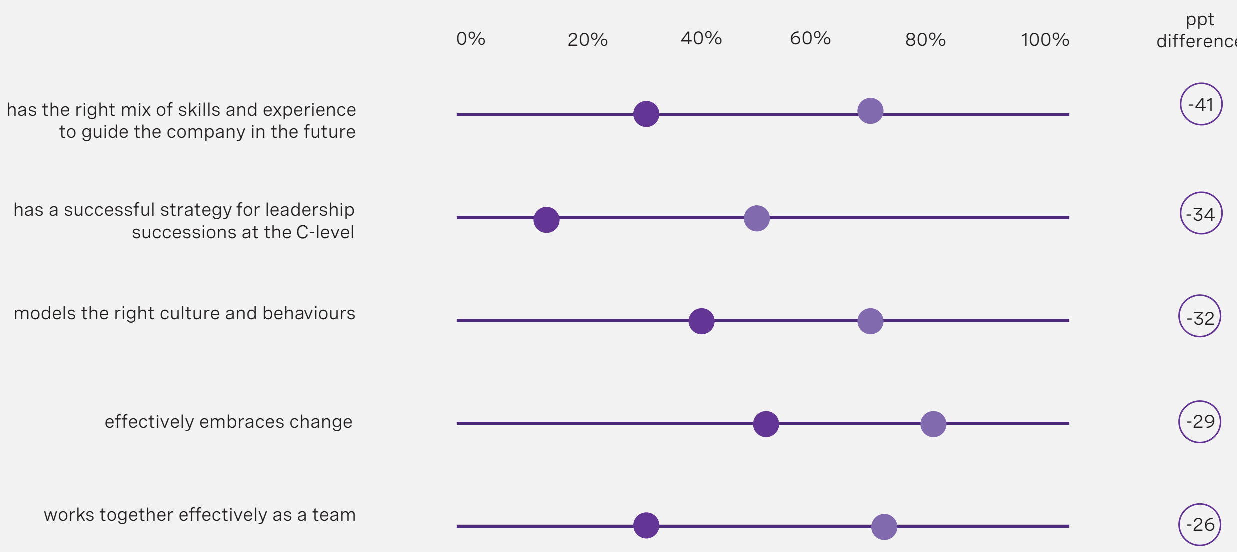
Flight-risk executives score their executive team lower across several key leadership dimensions

% of "flight risks" who agree or strongly agree that their organization's executive leadership team:



Flight-risk executives have doubts about their board's leadership skills

% of "flight risks" who agree or strongly agree that their organization's supervisory / non-exec board:



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Negative experiences with DEI

Those who indicate a willingness to leave are more likely to report that they have been passed over for promotion due to their gender or ethnicity. Although this is not directly cited as a reason for wanting to leave their organization, it does point to the need for better engagement and retention of underrepresented executives.

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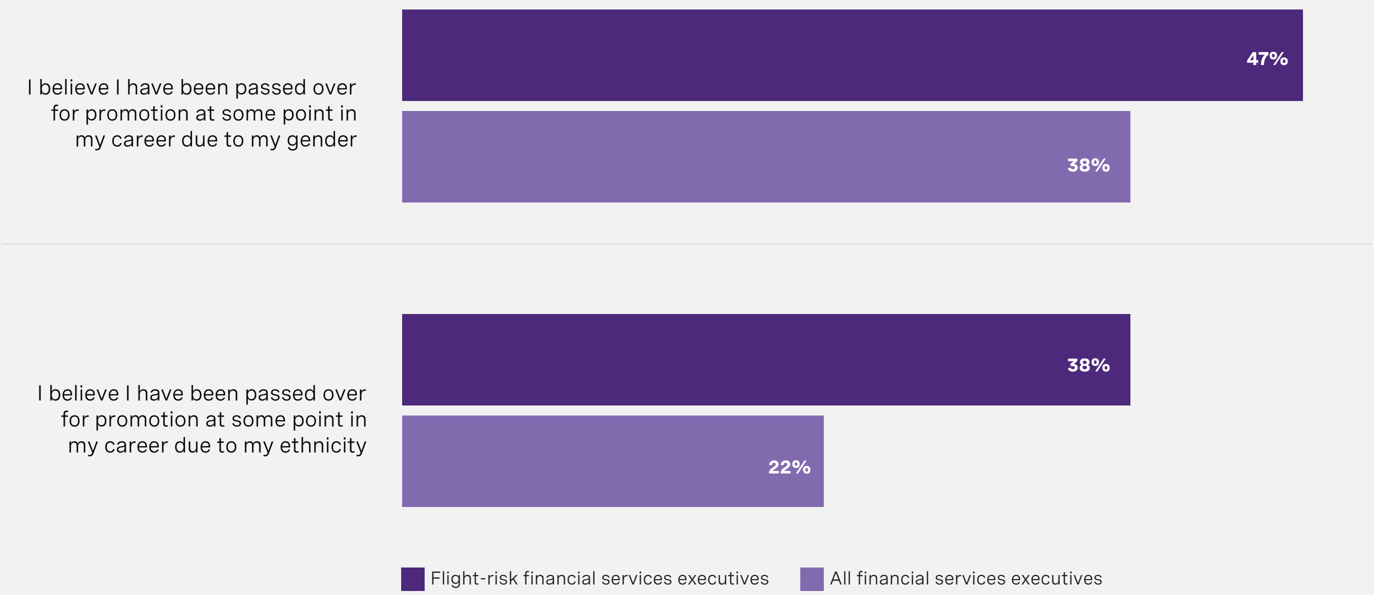
% of executives agreeing or strongly agreeing that:



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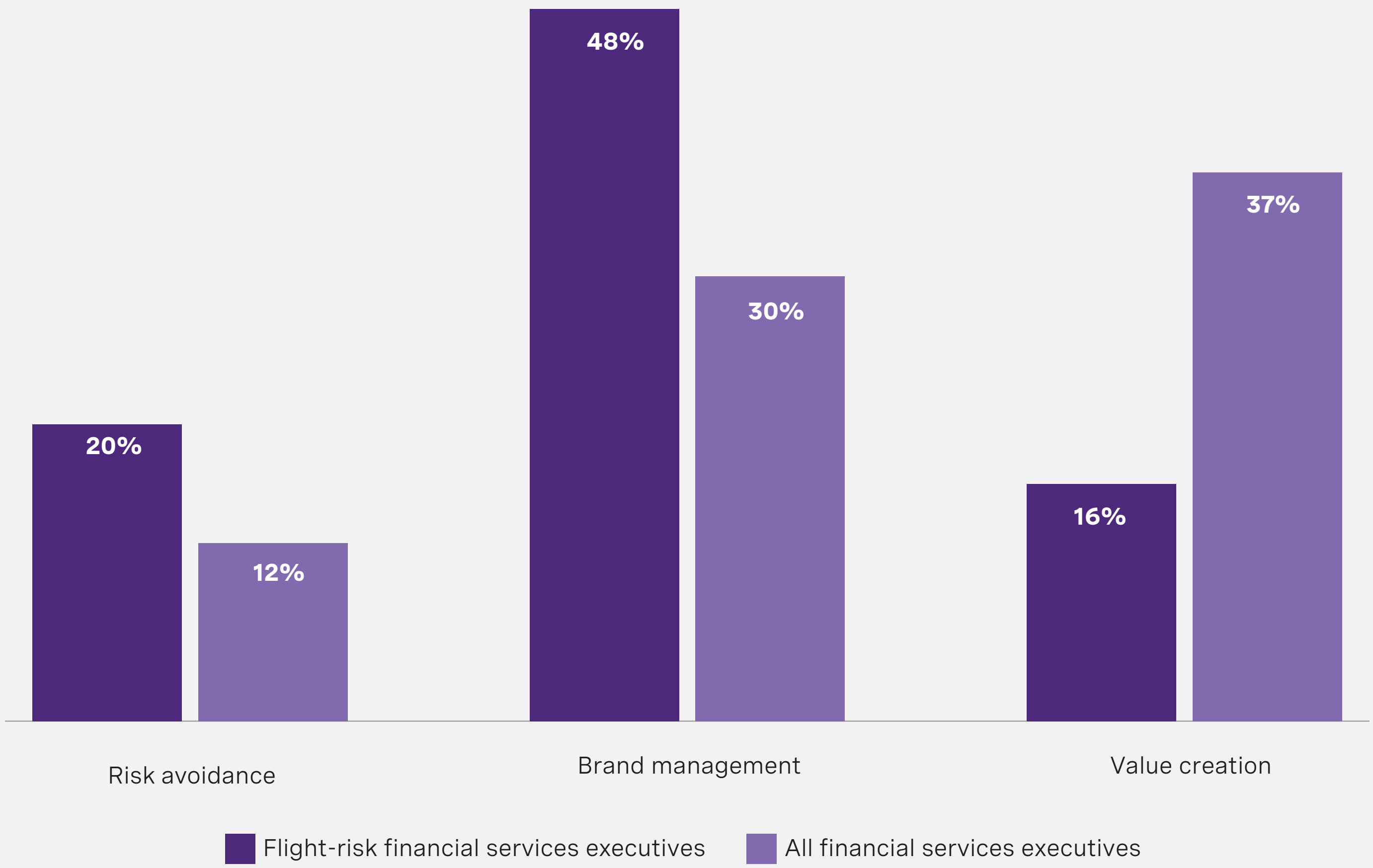
Disappointment in sustainability initiatives

With the transition to sustainable business practices generating immense value creation potential, the financial services industry is facing a watershed moment. Organizations lacking a credible commitment to sustainability risk losing not only market share, revenue, and brand equity, but also talent. Compared to their counterparts, flight-risk executives are more likely to indicate that their organization pursues sustainability primarily through the lens of brand management and risk avoidance, rather than value creation.

Flight-risk executives are more likely to say their organization's approach to sustainability is focused on risk avoidance or brand management

% of executives who say the driving force behind their organization's approach to sustainability is:



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Looking ahead: strategies to retain senior flight risks

Coming out of the pandemic, many next-generation financial services leaders feel like their careers have been put on hold, and that their organizations have under-invested in their development and growth. Many are seeking opportunities elsewhere as a result. While there are talent retention actions underway in financial institutions, these remedies are not always aligned to senior leaders. These executives are looking for a clear path towards a larger role, a more effective leadership team and board, and a stronger commitment to DEI and sustainability. To retain these executives, financial institutions should double down on the following:

Focus on leadership development

There is a strong need for the financial services industry to improve how it approaches development, especially at the senior levels. Historically the industry has been over-indexed on technical expertise and experience rather than leadership competencies, with limited internal mobility processes in place for talent to shift between functions and business units. It is now more imperative than ever to identify your high potential executives and invest in their development, providing them with personalized development pathways and structured support to be successful in your organization's key value-driving roles. This could take the form of a "next generation" academy program, in which organizations assess and identify a cohort of high potential executives and provide them with coaching and cross-functional and cross-business unit rotational experience, as well as exposure to the board. An effective development program will not only create a strong pipeline of senior leadership and optimize performance but will also retain the best and brightest talent.

Be serious (and transparent) about CEO succession planning

Pay particular attention to potential CEO successors, as our research shows that more than half of flight risks are those looking to become CEO. Start the CEO succession process early, find and nurture high-potential leaders, and be transparent with them throughout the journey. A good succession process is characterized by clear communication strategy and feedback loops, which signals to successors that the organization is willing to invest in their growth. A well-run process feels developmental, not evaluative, helping candidates see where they are in their journey while also helping the organization understand how they can support successors in closing any development gaps. In our experience with succession planning, when internal candidates feel engaged, informed and respected throughout the process they are much more likely to be retained, even if they are not selected.

Boost confidence in your senior leadership and board

In order to increase confidence in your top-of-the-house leadership, it is important to conduct rigorous assessments of the current team. Not only does this ensure that you have the right individuals in place, but it also cultivates greater unity, cohesion and alignment across the team, be it C-suite or board. An individual leader's success does not equate to team success - it's important to combine individual-level development with group-level insights to better understand the team's collective strengths and blind spots. An effective senior leadership team can better cascade shared values and culture throughout the organization and instill a stronger sense of purpose among "C-suite ready" employees.

Commit to real action on sustainability

Beyond the moral and ethical considerations for committing to sustainability, these efforts possess strong commercial logic for talent retention. When it comes to increasing accountability around sustainability, start with appointing a top sustainability leader who can own the agenda firm-wide, and create a reporting structure that enables them to succeed. Next, equip all senior leaders with sustainable leadership skills, and embed sustainability into your leadership culture. Finally, identify and empower up-and-coming next-generation leaders, providing them with impactful pathways and opportunities to shape the sustainability strategy of the firm. Beyond realizing financial gains stemming from more efficient operations or new product opportunities, organizations may find this to be an effective tool for engaging and retaining talent.

Take concrete actions to move the needle on DEI

When it comes to enhancing retention of diverse employees, begin with leadership. Prioritize the development of inclusive leadership behaviors amongst your senior most leaders, ensuring they demonstrate humility, curiosity, and open-mindedness. Next, take steps to deeply examine your organizational climate. Does your senior leadership team reflect the demographic makeup of employees? Do employees have formal methods to express concerns? Then based on those findings, transform your talent structure and rewards. This could mean creating flexible and clear career paths and implementing structured development and sponsorship programs for underrepresented employees. Better use of executive assessment tools will also be key to bringing in more equity to the organization, as assessments help to level the playing field and shine light on high potential diverse talent with great leadership capabilities.

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Russell Reynolds Associates is a global leadership advisory and search firm. Our 470+ consultants in 47 offices work with public, private and nonprofit organizations across all industries and regions. We help our clients build teams of transformational leaders who can meet today's challenges and anticipate the digital, economic and political trends that are reshaping the global business environment. From helping boards with their structure, culture and effectiveness to identifying, assessing and defining the best leadership for organizations, our teams bring their decades of expertise to help clients address their most complex leadership issues. We exist to improve the way the world is led.

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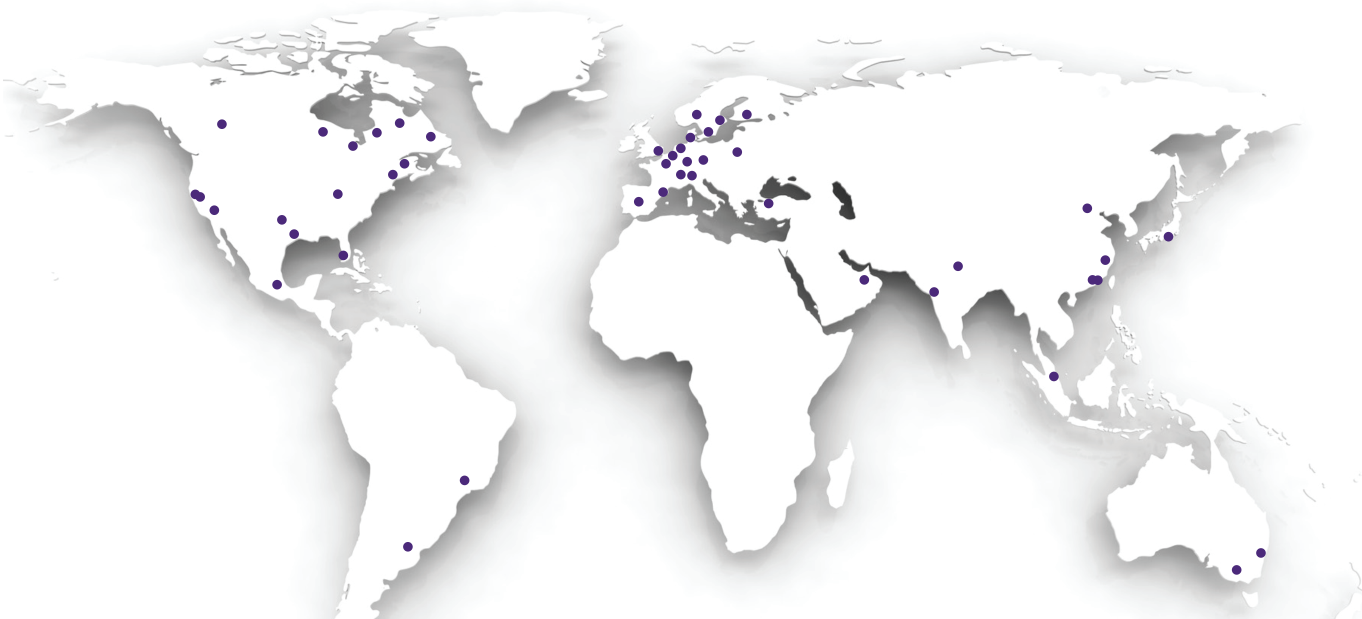

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