

TALENT PORTFOLIO MANAGEMENT:

LEVERAGING HUMAN ASSETS IN CAPITAL MARKETS AND INVESTMENT BANKING

“There is financial capital, reputational capital and people capital. As bankers we spend a great deal of time protecting the first two, but because of the tyranny of the immediate, we spend the least time on our people, and at the end of the day this should probably be our first priority.”

Richard Hayden, Vice Chairman, GSC Group, former Deputy Chairman and Managing Director of Goldman Sachs International

Despite being by far the largest item of any bank's expenditure, few firms have employed systems to analyse meaningfully their return on investment in people. And yet this is a sector where the recruitment or defection of just a handful of key individuals can make or break a business strategy.

Talent Portfolio Management: Leveraging Human Assets in Capital Markets and Investment Banking, an insightful intelligence report from IFR, looks at the challenges of attracting and retaining people in a seller's market. It examines various different approaches to measuring return on human capital investment and profiles some of the more progressive firms' strategies to take a more investment-based approach.

This report makes essential reading for senior management across the board.



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- **Carrie Heiss**, European Head of HR, **Lehman Brothers**
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- **Tamsin Rowe**, HR Director, **Morgan Stanley**
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TALENT PORTFOLIO MANAGEMENT: LEVERAGING HUMAN ASSETS IN CAPITAL MARKETS AND INVESTMENT BANKING

Beyond any doubt, every financial institution's prime asset is its workforce, but it is also the asset least subject to transparency of measurement and clarity of accountability. More importantly, it is an asset it doesn't actually own: one that leaves the office every evening and is sought after by rival firms with pockets at least as deep.

As many investment banking services become ever more commoditised, with diminishing margins, high-margin business is increasingly derived from sophisticated investment products and services involving far greater cross-desk collaboration and fewer points of contact with customers. These services can only be offered by specialised individuals and teams who are generally highly paid and in heavy demand.

Financial services employers pay many millions to their stars and teams, but how much is astute investment, and how much is wasted? 'Stars' in one organisation do not necessarily flourish when they move to another, regardless of their compensation packages, so what other factors are at play and how can they be measured and managed more effectively?

Surprisingly, given these firms' ability to manage investments and assess risk in the capital markets, their ability to apply the same skills to their own human capital is far less developed.

Historically, the approach to people management has relied upon gut-feel and intuition, with headcount and cost sometimes being the only two metrics involved; or has been passed to the human resources department and not integrated with broader strategy. Moving to a more strategic model for managing human resources should not prove a difficult conceptual step to take in a sector where individuals deal every day with questions of risk, return and investment.

The situation is changing as financial institutions begin to view their employee costs more as investment than overhead, but despite this growing awareness there has been no research on managing human capital in the sector until now.

Talent Portfolio Management: Leveraging Human Assets in Capital Markets and Investment Banking offers an expert analysis of techniques being employed by some firms to evaluate the effectiveness of their human capital investment, and examines the impact their management strategies have had on their profitability.

The report examines 22 leading firms, revealing a considerable variety in the extent to which there is a measurement-based approach to human capital. Based on extensive research by the author and drawing on candid views of some very senior bankers, this report should be essential reading for all senior management.

Spotlighting the very latest thinking and practice in human capital management from both the financial services sector and other industries, the report examines:

- Different approaches to human capital metrics and their relative pros and cons
- Links between strategic people management, engagement, and the bottom line
- The role of the human resource business partner in strategic planning
- Implications of talent portfolio management for CEOs and business managers
- The challenges of dealing with 'stars' and 'player-managers'.

The concept of **talent portfolio management** introduced in this report involves taking an investment-based, strategic approach. Just as investment in capital markets involves portfolios of assets, a talent portfolio can be segmented into different human asset groups – for example front office stars, their teams, and people in key support roles. The ultimate goal is to be consistently able to have the right people in the right place, at the right time, for the right cost. It is not a hypothetical process: research for this study indicates that employers in capital markets and investment banking are at least some way on the journey, and that many have made quiet but significant progress in recent years.

MAJOR BANK PARTICIPATION

The following 22 banks contributed to the research and findings featured in this report:

- ABN AMRO
- Barclays Capital
- Bank of America
- BNP Paribas
- Citigroup
- CIBC
- Calyon
- Credit Suisse
- Deutsche Bank
- Dresdner Kleinwort
- Goldman Sachs
- HSBC
- ING Bank
- JPMorgan
- Lehman Brothers
- Merrill Lynch
- Morgan Stanley
- Royal Bank of Canada
- RBS
- Société Générale
- Toronto Dominion
- UBS

ABOUT THE AUTHOR

Paul Aldrich is a Partner and member of the Financial Services Practice of CTPartners, one of the world's leading executive search firms. Paul's global perspective and keen assessment abilities are drawn from his experience as a senior executive and search consultant in the major financial centres.

Paul's corporate career has provided him with a blend of global consulting and industry experience, forming the basis for his deep understanding of diverse cultures and talent requirements. Previously, he worked for the London office of Price Waterhouse, Chase Manhattan Bank in London and Hong Kong and two major financial services search boutiques. Leading teams responsible for covering capital markets and investment banking business, he was involved in assignments in every major trading centre in North America, Europe, Asia-Pacific, and Australasia. During this time Paul also provided financial market product training for the Federal Reserve and the Bank of England.

Paul received an MBA from Durham University, and is currently pursuing a Doctorate in Business from the same school.

“Recent trends confirm that effective talent management – hiring and keeping the right staff in the right positions – is the most important driver of competitive advantage for the banks. This report is a very timely and insightful analysis of the subject that should make compelling reading for anyone looking to maximise their investment in human capital.”

Simon Maughan, Head of Equity Research, Blue Oak Capital

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IN-DEPTH PROFILES

- Citigroup
- HSBC
- Lehman Brothers
- Morgan Stanley
- The Royal Bank of Scotland
- UBS

These profiles were the result of in-depth interviews covering the following key themes:

- Human resources structure
- Human resources representation and influence
- Is talent management treated as a strategic matter?
- Human capital measures used
- Information systems
- Is there a formal human capital report?

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