

# War for talent rages in the city

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Bath Consultancy Group  
11 Kelso Place, Upper Bristol Road,  
Bath BA1 3AU  
Main Office: +44 (0)1225 520866  
Email: [office@bathconsultancygroup.com](mailto:office@bathconsultancygroup.com)

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In 2010 we interviewed 34 senior leaders of UK banks. This was Bath Consultancy Group's second inquiry and we wanted to investigate whether the financial crisis had led not only to new strategies being implemented but also whether banks had taken the opportunity to change both their approach to leadership and the embedded culture within their organisations.

Significantly, we found that while there had been major change in terms of strategy only 13% of leaders had undertaken a culture change programme and only just over a quarter had changed their approach to leadership development.

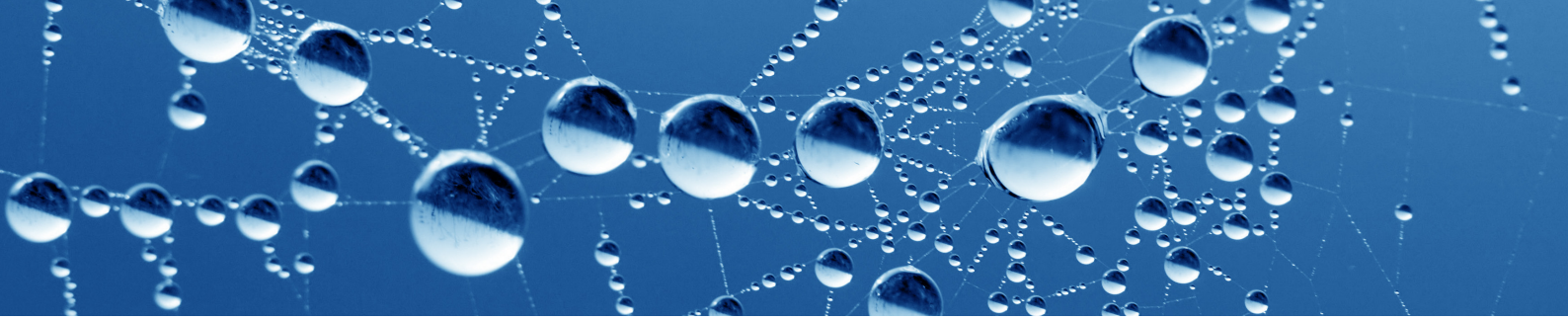
Our experience is that if culture stays the same, it becomes harder to implement sustainable changes to strategy. If banks manage to quickly return to growth the appetite to change will decline, so there is little chance of avoiding some of the same mistakes.

## Results from interviews with leaders in major UK banks

In a survey of leaders from major banks, 71.4% of leaders report that their organisations are not cutting remuneration. 50% of banks are losing employees to competitors and further comments suggest that there is a war for talent with some banks offering 50% salary increases and guaranteed bonuses in non-income generating roles, in an effort to capture talent from their competitors.

It would appear that in spite of considerable public pressure, little has changed with regard to pay or culture change, although there does appear to have been a significant shift incorporate strategy. The interviews, carried out by the Bath Consultancy Group confirmed that 91% of financial leaders had undertaken a new strategy, yet only 13% had changed the culture of their organisation and just over a quarter (26%) had changed their approach to leadership development.

David Jarrett, Chief Executive of Bath Consultancy Group commented on the results of the survey: "Changing a strategy to survive the economic crisis is of course needed. And this seems to have worked as most banks we spoke to are now experiencing growth, or expecting growth to return shortly. What is disappointing is that most banks have not taken the opportunity to undergo a substantial shift in leadership behaviours and the culture of their organisation. In our experience, if a culture stays the same, it becomes harder to implement sustainable changes to strategy."



## Changing banking culture by changing leaders

In 2009, a similar survey by the Bath Consultancy indicated that 80% of respondents felt their culture needed to change. In 2010 this increased to 87%, yet only 13% of leaders had seen a significant shift in their organisational culture.

When asked how to change culture, leaders recognised that the most effective way is to change the approach to leadership development, although few could identify specific programmes, that might help them to do so.

Rupert Harding, Head of Financial Services at Bath Consultancy Group, said, “What is clear is that those who truly embrace the need to change culture will become the talent magnets of tomorrow, while those who rely on remuneration alone are simply in trouble. We are now working with Financial Institutions helping them see that developmental investment yields the best return in when it comes to talent retention and performance.

## Leadership development in UK banks

Most leaders say that their banks have maintained their investment in leadership development with 30% creating new leadership programmes. The major shift is that these programmes are being delivered internally with a reduction in external spend.

Where a change in management and leadership approach has been adopted 79% reported that it had proved successful. Spending in individual and team coaching remains solid.

Coaching is recognised as a core development tool, but the interviews show that it is still only senior management and human resources who have an appreciation of the value of a coaching culture. There is little penetration of coaching into line management and the organisation as a whole.

Organisations investing in internal coaching capability and quality controlled external coaches report the strongest developmental performance.

Rupert Harding concludes, “Past events have demonstrated that the call for change cannot be louder, but current change strategies are not addressing culture. In short, our banks may be destined to repeat their mistakes, unless the underlying culture of short term views, transactional relationship and performance pay are changed. Unless they start to find ways of retaining talent without remuneration incentives, the existing culture will prevail and we already have evidence that this is not sustainable ”

A full copy of the inquiry ‘Survey of leaders in major banks’ is available by emailing [office@bathconsultancygroup.com](mailto:office@bathconsultancygroup.com)