

How bank boards can shape the workforce of the future



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Boards of directors across the banking industry face a range of daunting challenges and difficult questions as they look forward. Uncertain economic recovery in the wake of the COVID-19 pandemic and highly contentious elections in the US have been top-of-mind concerns for some time.

COVID-19 has also prompted boards to focus on how to reimagine the work experience as remote working becomes more prevalent, which presents both new issues as well as opportunities for talent strategies and real estate optimization. Diversity and inclusion and the creation of sustainable value are other urgent matters that will remain on board agendas for the foreseeable future.

The EY Financial Services Center for Board Matters convened nearly 40 directors from 26 institutions – from foreign banking organizations (FBOs) and the largest US regional banks – in lively dialogue about these pressing topics. Key elements of the dialogue were:

▶ **Reimagined workforce/workplace:**

Even as employees gradually return to work, boards are thinking long-term about the workplace in the post-pandemic world. The goals include more flexibility for employees, increased collaboration and organizational agility, and strong cultures. Reimagining the work experience requires banks to examine everything from new collaborative technology to policies for business travel and personal time and investing in managers to effectively manage and motivate their remote or hybrid teams, with particular emphasis on high-impact activities such as onboarding and networking. Diversity and inclusion are certainly key components of a stronger workplace. Boards remain committed to building on recent momentum and making tangible and sustainable improvements in this area. A shift in focus is underway, as banks seek not only diverse people and teams but also a sense of belonging and equity for all employees.

▶ **Sustainable value creation:**

Directors are increasingly aware they are being pressed to tell the story of their purpose and efforts to drive long-term, sustainable value creation. Part of the narrative includes employees, but it clearly goes much further. In this context, bank directors discussed the sustainable value framework developed by the World Economic Forum (WEF), along with Ernst & Young LLP (EY) and other Big Four accounting firms, as one way banks can articulate a clear societal purpose and measure their performance against it. Directors acknowledged a growing set of stakeholders expect banks and other businesses to deliver value that goes beyond purely financial metrics and contributes to overall societal well-being.



Resetting work experience, workplace and workforce

Like firms in other industries, banks are having to plan a return to office with incomplete information on what's working for their employees and the long-term effects of remote working. Clearly, directors have been impressed by the initial gains in productivity and adaptability, but they question whether such improvements can be maintained. From employees' mental well-being to better technology for collaboration to metrics for tracking engagement, boards have a long list of concerns.

Collectively, these factors amount to an invitation to reimagine the workplace and work experience – an invitation boards have accepted. The scope for change is significant. The EY Work Reimagined study of 3,700 employees and 700 employers in the US, UK and Germany highlights the top issues and opportunities where employers are planning to make significant changes:

- ▶ Real estate footprint
- ▶ Flexibility and well-being policies
- ▶ Remote work enablement and technology
- ▶ Business travel and mobility
- ▶ Learning and culture
- ▶ Workforce planning and analytics

In each of these areas, boards and senior management can make both strategic and tactical choices as they seek to shape a workplace that meets today's needs and provides the foundation for the post-pandemic future.

Early on, when remote working was thought to be temporary, return-to-office issues were mostly related to health and safety and practical tasks, like managing elevator access. Today, directors now recognize that more employees will work from home (WFH) in the future, although to what degree remains uncertain. Thus, directors are focused on finding and institutionalizing the right approach for their organizations and culture, including managing productivity, sustaining strong controls and managing ongoing employee well-being.

The challenge will be finding the right balance of providing benefits for both employers (like lower real estate costs and access to talent) and employees (increased flexibility). However, it will vary considerably by company and even within companies, as different regions, metropolitan areas and parts of the business will have different needs.

Generational differences matter

As everyone has gotten used to remote learning, we have seen visibly the effect has been different on demographics of workers. Millennials have often been in shared accommodation, some with young families. They and older colleagues have been managing work family commitments, such as home schooling. Some colleagues are caregivers to their parents. Directors have heard these concerns, with some commenting:

“

It has been quite challenging. Regular contact is essential.

“

We are concerned about fatigue.

“

People are working too much.

“

Our biggest concern is around absenteeism, work-from-home practices, support for young families.

“

There is some envy between groups that can work remotely and those that can't.

“

It's good so far, but there is more stress in the system.

“

Younger employees are lonely.

“

There is more strain on working parents.



Culture in the context of work from home

Because culture is an area where boards and senior management can exert influence, the focus must be on defining desirable behaviors and then reinforcing and supporting them through recognition and changes in the operating model. Remote working has instilled new habits and behaviors in the culture and boards, and management must be intentional in identifying which are worth promoting. “Employees are focused and striving to maintain culture and purpose notwithstanding the WFH environment,” remarked one director.

The questions to be addressed can be quite specific:

- ▶ Is there sufficient training and support for adopting new collaboration tools?
- ▶ How can trust be built and strengthened, especially when people are new to their roles or new to the firm?
- ▶ Are employees being allowed or encouraged to take vacation days?
- ▶ Are managers modeling the right behaviors, such as not sending emails late at night or on weekends?

The right answers can help create and sustain the cultures boards want. In some cases, it is about defining goals and setting guidelines, such as prioritizing

outcomes achieved vs. hours worked. A granular focus on issues such as these can – and should – be balanced by clear articulations of the corporate purpose, which ultimately provides the glue that holds the culture together.

Indeed, culture may be the top issue on directors’ minds in thinking about the future work experience. One director asked, “Connections and collaboration have worked well in the short term, but is it sustainable?” Another noted, “Recently, there are more questions about how to manage and monitor performance for maximum effect.”

Most banks are reporting more cultural metrics at the board level and not just because of conduct risk. Directors are careful to point out that accountability and ownership of the cultural metrics are necessary, rather than reporting for the sake of reporting. As one director put it, “it’s hard to manage culture from a dashboard.”

Still, the measurement and reporting demonstrate the importance of culture, and there’s likely more management could do with the rich data sets already being collected. For instance, insights generated by artificial intelligence (AI) should inform talent management and workforce planning strategies as well as decisions regarding compensation and benefits packages.

Using technology to “listen”

There is intense interest in how technology can foster collaboration and create dynamic interactions and strengthen workplace culture. Powerful new engagement software can help management monitor and manage cultural impacts and provide data-driven and more actionable reporting up to the board.

The same is true of new “listening channels,” such as using more frequent surveys and insights derived from enterprise system data, for example:

- ▶ **Micro surveys:** Some firms have adopted one- or two-question pulse surveys to provide more timely and granular data than traditional annual surveys or quarterly check-ins. In such surveys, employees are presented with simple questions about their level of engagement or current feelings when they log on to the company network or submit a time sheet. Banks have also used mobile apps or daily “mood meters.”
- ▶ **Data patterns:** Some banks are increasingly using AI in assessing workplace strategies and in-person interactions. For instance, AI can help identify at-risk employees by tracking their scheduled meetings and providing alerts if they are working excessive hours or not taking time off.

Input from directors and EY experience shows the range of creative approaches firms are adopting to promote a sense of connection among employees and replace the impromptu office “drop-ins” that are sorely missed. One director spoke of finding the “virtual equivalent of the water cooler.” Among the other techniques banks are trying:

- ▶ Exploring new protocols for shorter meetings and limiting the number of video meetings per day
- ▶ Adopting breakout sessions in video calls and asynchronous inputs during meetings and brainstorming sessions
- ▶ Using tools to prompt employees to exercise, move around or have some fun
- ▶ Promoting “small talk” at the beginning and end of meetings
- ▶ Five-minute video check-ins among middle managers and their team members

Levels of proficiency can vary significantly across the organization or even within teams. In lieu of walking the halls, directors are open to different approaches to sustaining the culture.





The customer perspective

Directors routinely raise questions about the impact of remote working and cultural shifts on customers. In many cases, customers naturally migrated to digital channels when banks were closed.

In investment and commercial banking, customer-facing staff are using virtual dinners or events to stay connected. Some sales and service staff will be glad when travel restrictions are lifted and they can call on their clients in person.

The pandemic renewed questions about whether 2020 will see the long-predicted decline of bank branches. Every six to seven years, it seems there is a tendency to debate the future of branches – the death knoll gets rung, then we see a resurgence in branches (after accounting for closures due to bank mergers). But, this time, directors recognize things may be different. Even customers and clients who have depended on branches have realized through COVID-19 that digital engagement is convenient.

While the EY Work Reimagined study covered multiple industries, banking was the top sector in terms of commitment to making bold changes for future success. The last few months have demonstrated just how quickly and effectively banks can change. Directors understand that capability will be even more important going forward.



The journey to diversity and inclusion

A human-centered approach to future workforce strategies

The discussion on future workforce and workplace strategies has come to the fore during COVID-19 alongside a much greater focus on corporate diversity, inclusiveness and equity (DI&E).

Corporate DI&E programs have been in place for decades at some banks, but in the wake of social justice protests this past summer, they are receiving renewed attention and are evolving rapidly. Boards are now very focused on their firms' commitments to social justice. Beyond recruitment and hiring programs, which remain important, there is increased urgency around creating a sense of belonging and relatedness to the organization. For minorities, the difference is between being present (diversity), knowing that others want you there (inclusion) and feeling outcomes are fair (equity).

Behavioral change and the elimination of unintended biases and structural inequities are key to progress. Organizational policies and processes (including compensation, attendance and onboarding) must be designed for systemic fairness and to support workplace equity. For instance, standard working hours may create inequity along race, gender or class lines, based on the need for childcare.

With a growing body of evidence that companies with higher degrees of diversity and inclusiveness (D&I) enjoy a performance advantage, it's clear that the bar has been raised on D&I programs. Board members are energized to meet the moment by building on current momentum and cultivating tangible and sustainable change. They also acknowledged the rising demand – even expectation – among employees that their companies will demonstrate

leadership on anti-racism and other social issues. "There is an incredible thirst among employees for senior management to address these issues. The demand will only increase over time," said one director.

Meaningful action is taking place and boards are highly involved. One bank organized "days of understanding" with dialogue among smaller employee groups, which were "extremely moving and informative," according to one director. Another board hosted a formal discussion of D&I led by two Black and four woman directors, who shared their personal experiences. Other institutions are expanding their recruiting efforts.

The board's first responsibility is to set the tone for the organization. Directors can seek out diverse voices to participate in strategic discussions, as well as take personal accountability by holding smaller conversations. Behavioral change can make D&I more tangible and practical from a leadership perspective. Specifically, directors and senior leadership need to bridge the "say-do" gap when actions don't align to organizational principles. Further, directors must encourage middle managers to embrace change more forcefully, for they are critical to carrying the culture forward. Being held to account by measuring and reporting on progress will be critical. As one director said, "We are aiming to set measurable goals and identify metrics." See **World Economic Forum's framework for sustainable value creation** (page 12).

Still, directors recognize that lasting change will not be easy and requires intense focus and ongoing reminders to act. As one participant put it, "people have great intentions and even increased self-awareness, but it's not always clear what to do."

World Economic Forum's metrics for sustainable value creation

There is a growing set of standards that guide companies in reporting their progress in addressing environmental, social and governance (ESG) issues. These frameworks are significant because they allow employees, investors and other stakeholders to compare one firm with another, across sectors. However, multiple frameworks and numerous metrics exist, which can cause confusion around what metrics companies should report on to best articulate how they contribute to sustainable development and long-term value creation.

One major effort to help simplify these challenges is the recent work of the WEF's International Business Council, a group of 120 global CEOs, with Bank of America and the Big Four accounting firms, including EY. It has spearheaded efforts to measure

the degree to which business contribute to sustainable development. The goal is to identify a core set of metrics that are relevant to all sectors and that enable businesses to measure and articulate how they create sustainable value for their stakeholders.

These metrics are important in how companies communicate their purpose and culture to a broader range of stakeholders, including financial markets, governments and regulators, and consumers. They reflect the growing consensus that financial numbers alone don't fully communicate what happens in a business or capture all the value firms produce. Indeed, directors consider a broad set of factors when considering sustainable value creation, as shown in **Figure 5**.

▶ **Figure 5: In one word, what do you think about when you hear sustainable value creation?**



Source: Word cloud generated during session with regional bank directors.

Core metrics

The 21 core metrics (and 34 expanded metrics) were identified and refined through consultations with more than 200 companies, investors, standard setters and other stakeholders.

The metrics are organized around four pillars:

Governance:
purpose statements,
board diversity,
ethics, anti-corruption

People:
diversity and
inclusion, pay
equality, wage
levels, health and
safety, training

Planet:
carbon emissions,
implementation of
standards defined
by the Task Force
for Climate-Related
Disclosures (TCFD),
land and water use

Prosperity:
employment,
economic and
investment
contribution,
R&D, tax
payments

These pillars are aligned to the United Nations' sustainable development agenda for 2030, which includes the Sustainable Development Goals. As such, the WEF's initiative should be viewed as an important milestone in the drive toward helping companies measure and report on their contribution to stakeholder capitalism (which is sometimes called inclusive capitalism).

Given current trends, directors should expect acceleration and expansion of reporting on these metrics, as well as related efforts. It's clear that regulators want more transparency. In Europe, there are efforts to mandate various ESG disclosures. In the US, the SEC requires human capital metrics to be included in 10K statements. As such, as one director pointed out, "it's been a long journey to get to this point and many expected us to be farther along by now. But, in 2025, we will all be reporting in all of these areas, as we should be."

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Leadership in a time of uncertainty

Boards already had a full plate before COVID-19 struck. Even as diversity and anti-racism have become imperatives, climate change is no less urgent. In combination with the pandemic, these forces have combined to accelerate momentum toward stakeholder capitalism and a broader, more holistic conception of the value business produces for society. Board directors understand just how these issues overlap and are bearing them in mind as they devise strategies to reinvent the work experience and sustain what's best about their cultures.

But, despite the extraordinary challenges and mass uncertainty facing boards today, several directors spoke of their optimism. The development of an effective vaccine and a swift and peaceful resolution of the US election could provide hope and restore a sense of stability. Directors are certainly not blind to potential stressors (school closings, a COVID-19 resurgence and the prospect of a long winter). But they expressed admiration for how well their people have coped to date. As boards set the tone at the top, now is indeed a good time for optimism in the long term.

About the EY Financial Services Center for Board Matters

The EY Financial Services Center for Board Matters helps financial services boards of directors to identify, understand and navigate complex global and domestic sectors and regulatory risks and opportunities facing their firms. We help directors provide effective oversight of their firms by asking better questions of management and enhancing board, committee and individual director performance and effectiveness. We help champion the benefits of

strong board governance and facilitate engagement of directors with peers and other key stakeholders – such as shareholders and regulators – to stay abreast of trends and leading practices. We drive board refreshment by identifying, sourcing and introducing qualified, diverse director talent and promote and enable diversity and inclusion.

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Further reading



How employers and employees are envisioning the reimagined workplace



Ten ways FIs can address climate-related risks and opportunities



Task Force on Climate-related Financial Disclosures report playbook



Measuring Stakeholder Capitalism: Towards Common Metrics and Consistent Reporting of Sustainable Value Creation

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