



FOCUS ON BUSINESS VALUE
2022 Crowe Financial Services Conference

Operational Resiliency

Workforce and Talent Pools
and New Products in the Face of Risk and Compliance

November & December 2022

Presented by:

Crowe Industry Specialists

Agenda

- Trends creating significant opportunities and risks:
 - **Trend #3:** Workforce and talent pools
 - **Trend #4:** New product development in face of regulatory uncertainty
- Group exercise
- Trend #5: Determined by room
- Questions and discussion



Trend #3

Workforce and
talent pools

amazon mechanical turk

Workforce and talent pools

The workforce and talent pool is no longer constrained by geography



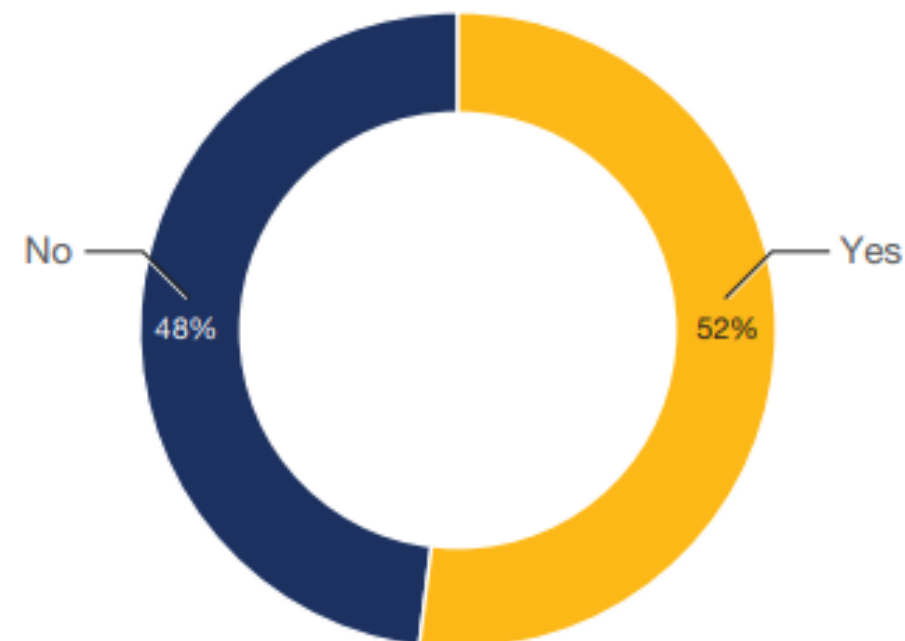
- ✓ Generational expectations where experiences are more important than money
- ✓ Non-Officer turnover has jumped over 7% since 2021 (2022 Crowe Compensation Survey)
- ✓ Automation is disaggregating certain roles and functions, particularly related to compliance activities
- ✓ Key Topic / Data Point #4

Remote work

The new remote work and service environment has continued at many banks through 2021 and into early 2022

Deciding whether to support remote work could dramatically affect recruiting and talent retention efforts, as recruits and current employees are increasingly seeking more flexible working environments

Percentage of banks at which remote work will remain an option after the pandemic



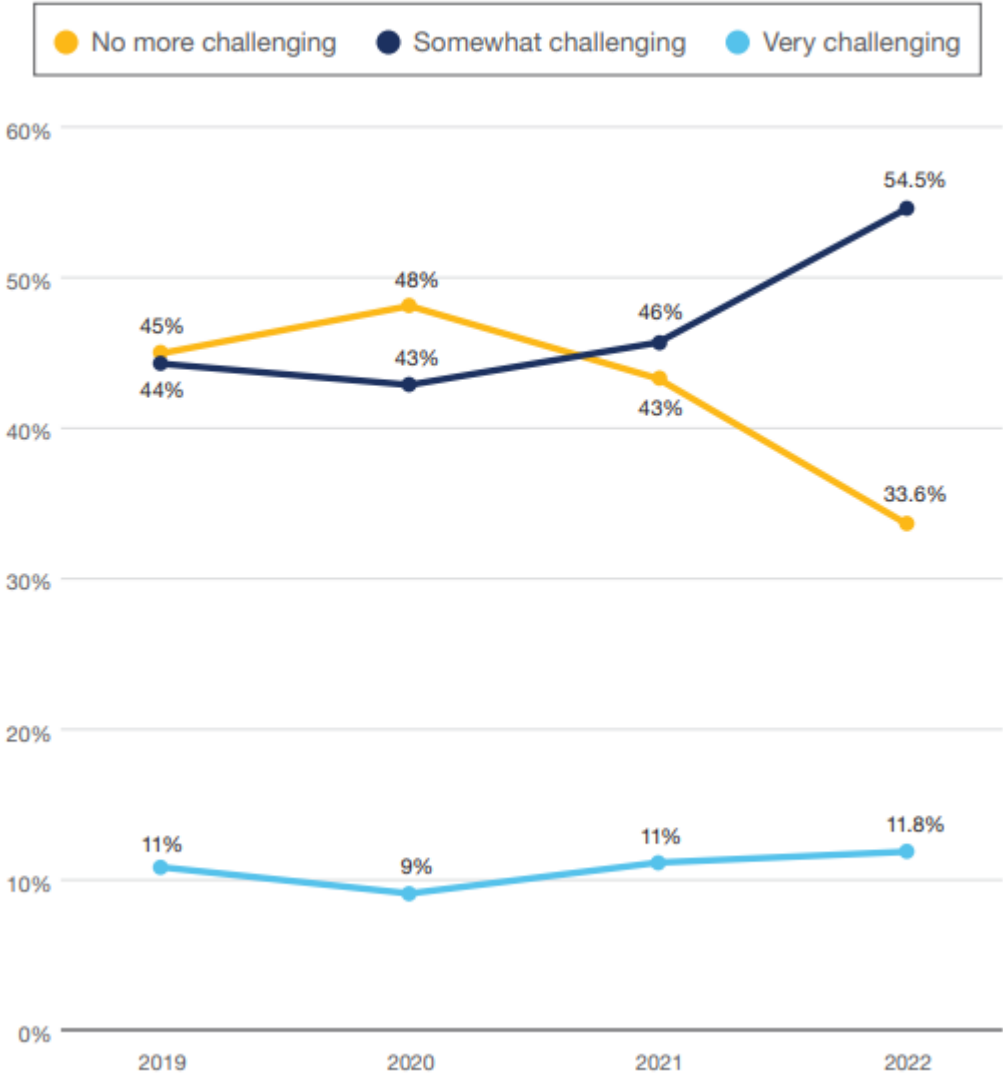
2022 Crowe Compensation Survey

Retaining younger talent

With the highly competitive job market, banks are finding it even more difficult than in the past to attract and retain talent

There has been a shift in mindset to now seek younger generations to fill these positions to increase technical proficiency and bring more diversity to the position

How challenging has it been to retain younger talent?

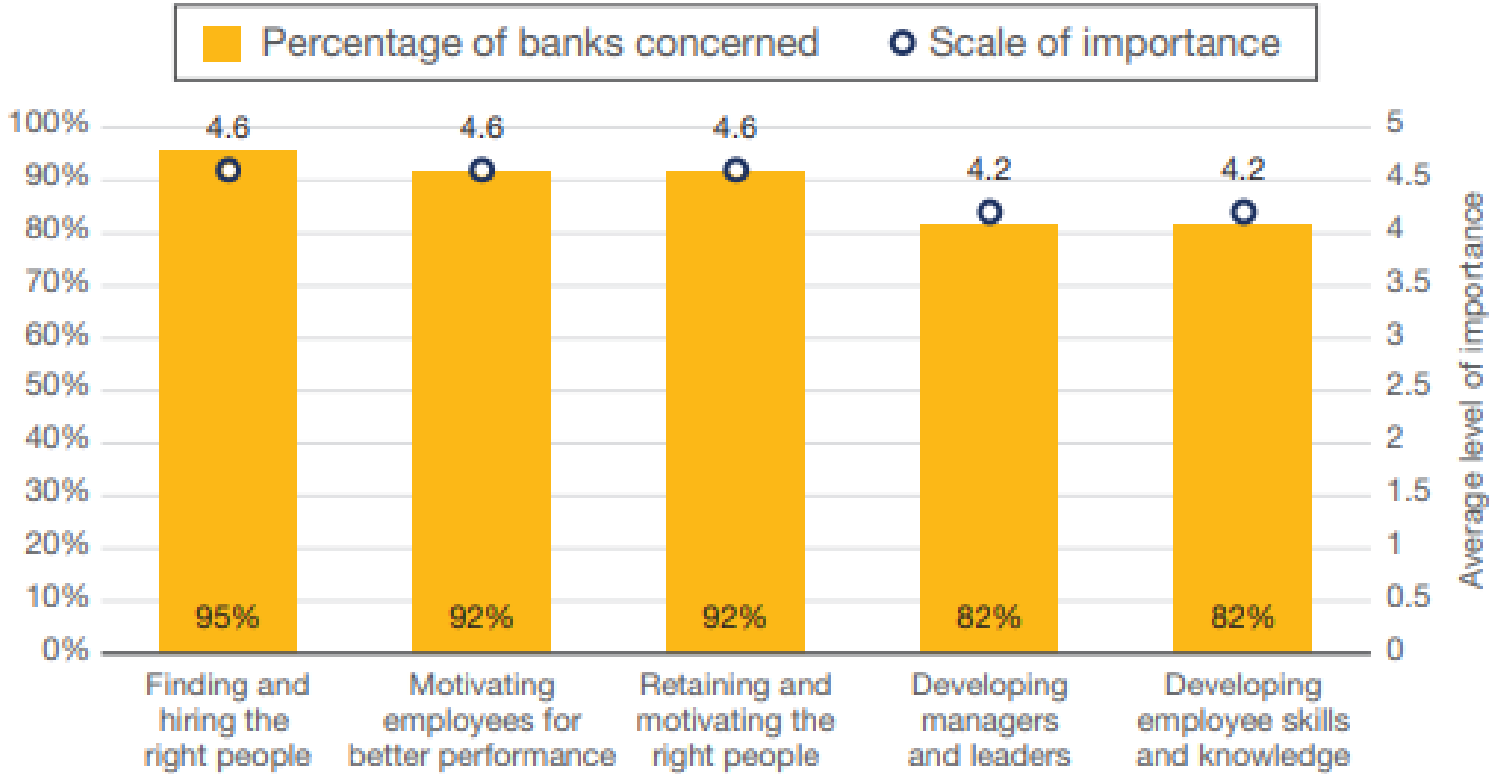


2022 Crowe Compensation Survey

Human resource issues

Among the top human resources (HR) management issues, the top five are related to finding, motivating, and developing the right people

Human resources management issues



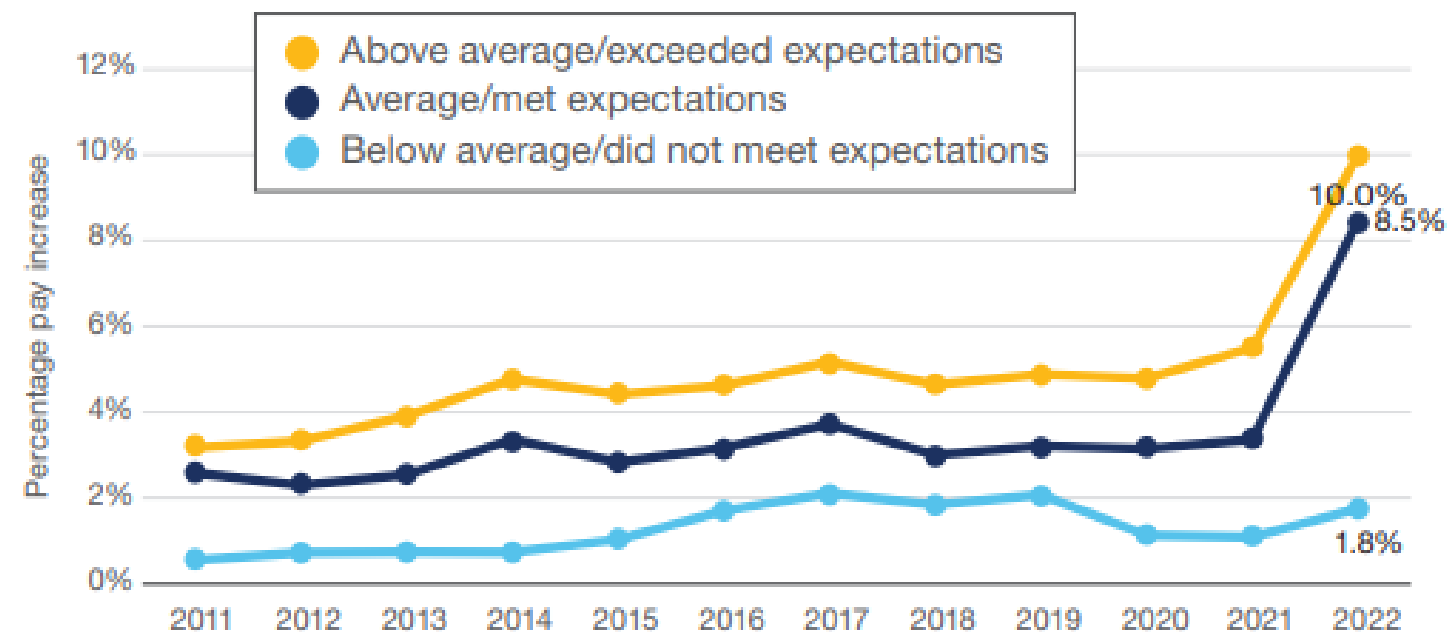
2022 Crowe Compensation Survey

Pay for performance

Among 2022 survey respondents, 64% of financial services organizations reported a pay-for-performance program

Wage pressures introduced in 2021 and 2022 have clearly led banks to increase pay for their top performers, and our data indicates even average-level employee wages rose significantly

Employee performance and pay increases

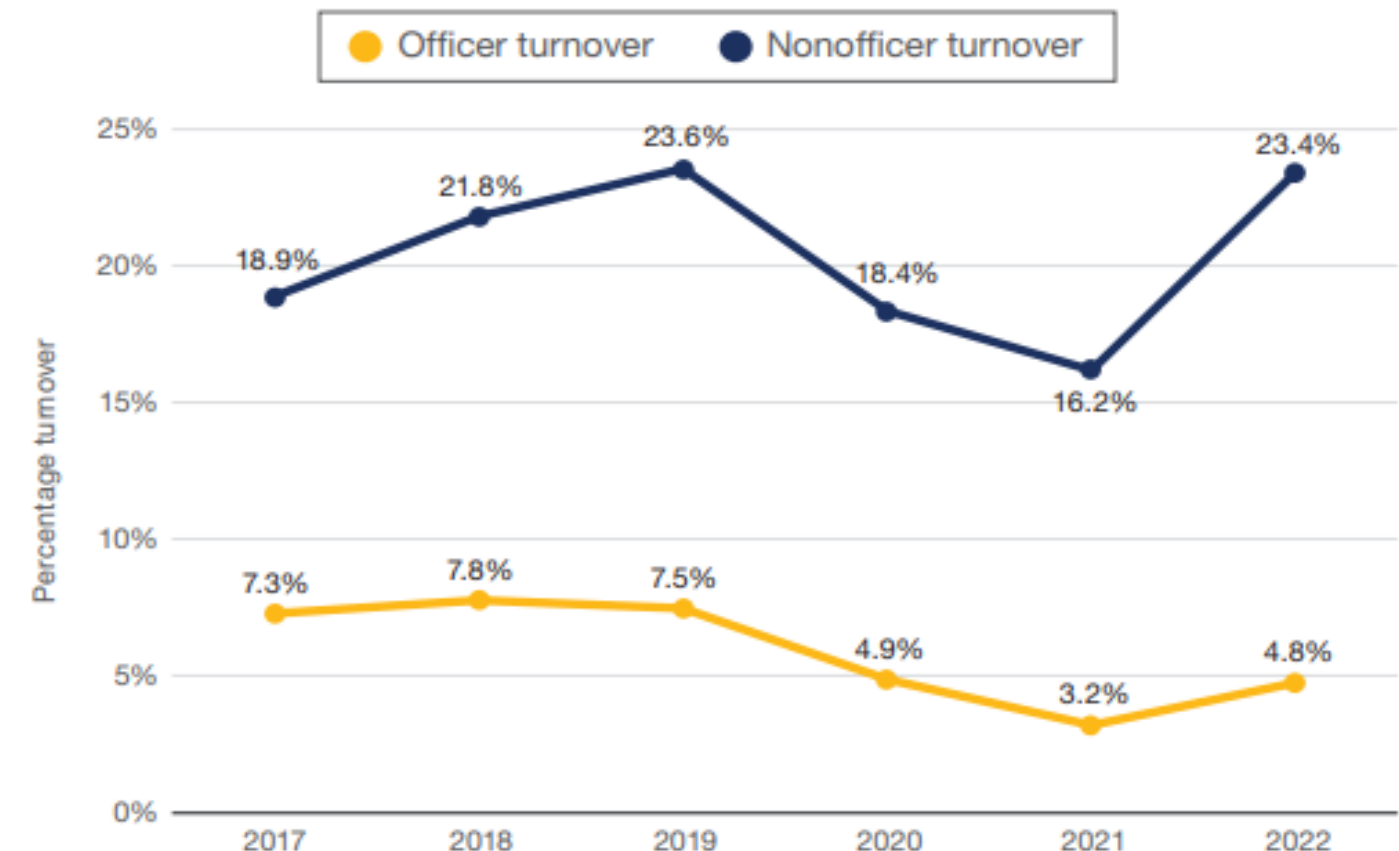


2022 Crowe Compensation Survey

Non-officer turnover

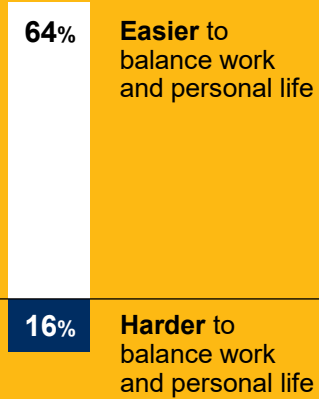
The effects of a highly competitive job market fueled by staffing shortages and economic volatility are prompting nonofficers to leave and dramatically increasing employee turnover

Nonofficer and officer turnover



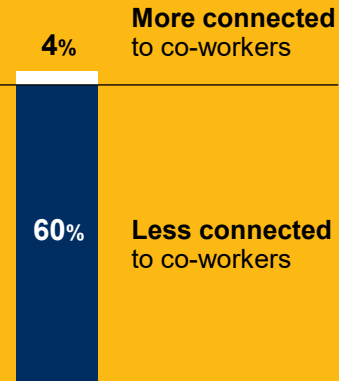
2022 Crowe Compensation Survey

Working from home has **made it...**



20% About the same

Working from home has **made them feel...**



36% About the same

Protecting value

Employees love flexibility but are losing valuable connections in the process. What does that mean for a risk organization



Frequent Communication

Frequent, authentic communication from leadership lays the foundation for a resilient workforce. In the new normal of remote work, a regular cadence of communication matters even more.



Aligning Values & Purpose

When employees are aligned with company culture and values, they are more likely to thrive during a crisis or times of stress. They better understand what to do and how to accomplish goals.

*Source: Pew Research Center: Survey of U.S. adults conducted Jan. 24-30, 2020.

Creating value

The workforce trends are opening new doors to previously difficult to attract talent



Invest in Training & Tools

Employees need to be allowed time for ongoing training and learning – not just to bolster technical or business skills, but to improve their well-being and ability to cope with adversity. On demand training enables emerging skills demands.



New Talent Streams

The talent streams that got you here are likely not the same ones that will navigate the future. Critically challenge new and diverse talent pipelines and skill sets to enable your strategy – and think outside your current footprint.



Trend #4

New product
development in face of
regulatory uncertainty



New product development in face of risk and regulation

Organizations are recognizing the need to develop new products, identify new revenue streams, and expand customer relationships beyond a single product – all in the face of a quickly changing and challenging landscape



- ✓ Approximately 27% of Americans use an online-only bank.¹
- ✓ Americans have 5.3 bank accounts across financial institutions on average.¹
- ✓ Branches aren't obsolete yet. Of those who prefer online or mobile banking, 79.9% still visited a branch in 2019.¹
- ✓ 55% of banking executives, on average, said a digital-only subsidiary enables ubiquitous banking, drives new products to market faster, and encourages collaboration, thanks to plug-and-play functionality. The same report also indicated that 57% of banks are considering building a digital-only entity.²

¹Source Bankrate: Digital banking in 2022: Trends and statistics

²Source CapGemini Retail Banking Trends 2022 | World FinTech Report 2021, May 2021



Protecting value

Doing something new fundamentally requires risk.



Bring risk and compliance early and often

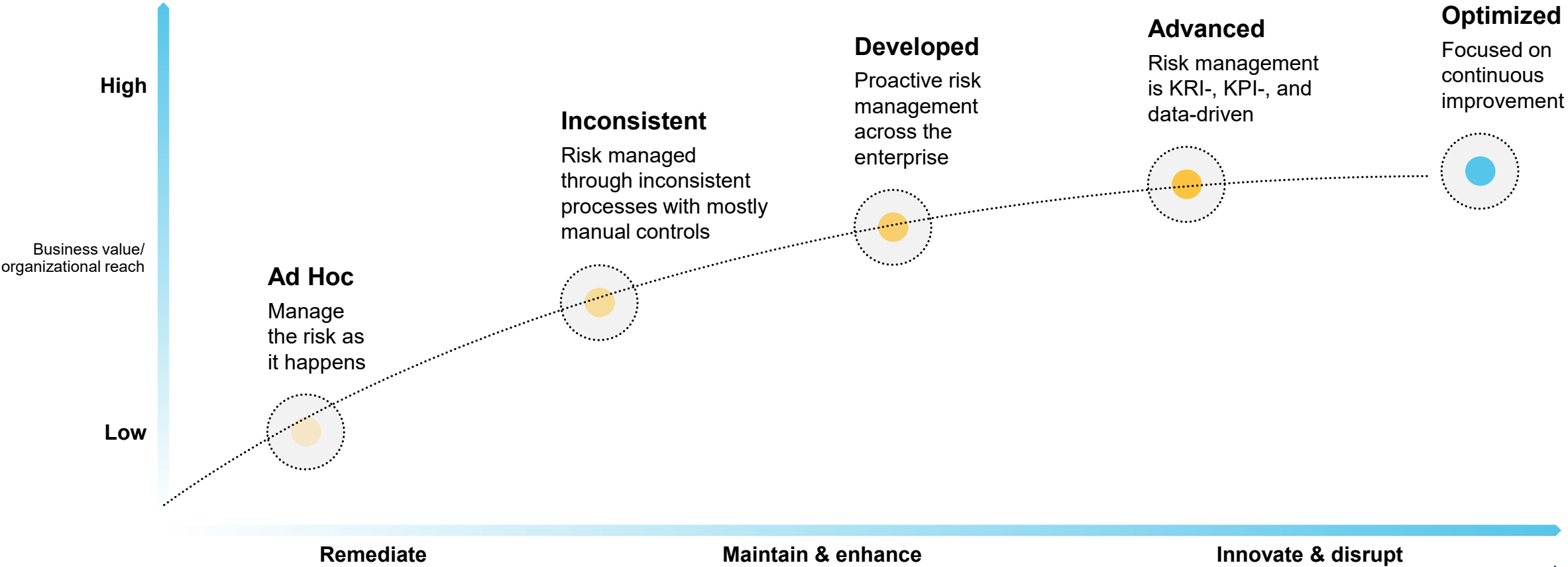
Overtly engineering risk and compliance into a new product or offering results in much better outcomes than having risk and compliance sign off after a product has been developed.



Define your minimal acceptable maturity

Consider establishing a framework to define minimal acceptable maturity – the level of control environment that gets you comfortable, not perfect.

Minimal acceptable maturity



Creating value

When inventing and developing new offerings in regulatory grey areas, putting your customer front and center is critical



Focus on customer needs

It's easy to chase after bright shiny objects these days, focus on what your customer views as unique and valuable, not a board member.



Treat your customer right

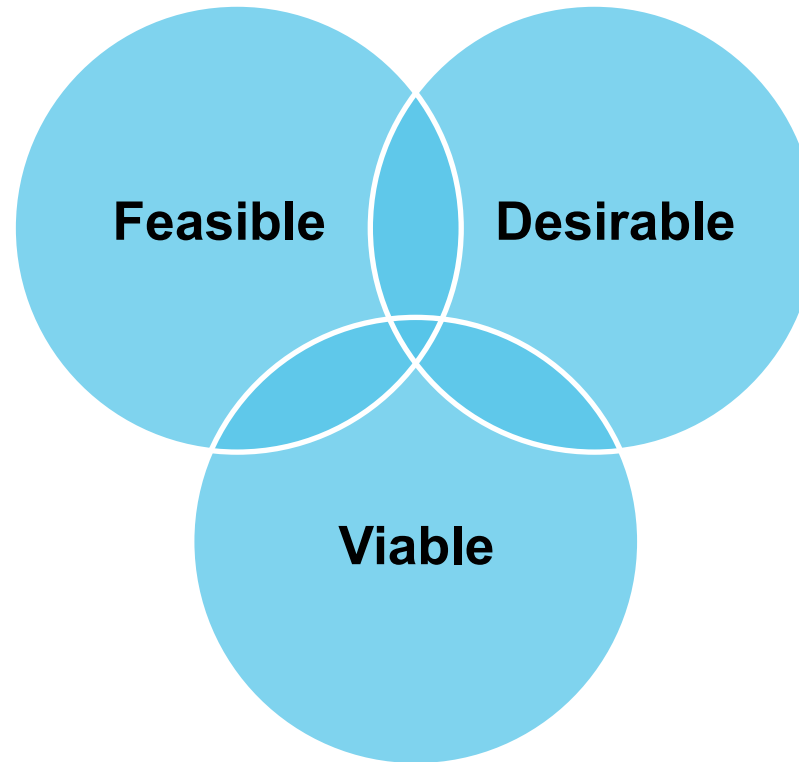
In the face of regulatory uncertainty, a relentless focus on designing a customer experience that also protects the customer results in good and complaint business.



New product development

Can you execute?

What assumptions have you made regarding your ability to deliver the defined value proposition of a product?



What does the market want?

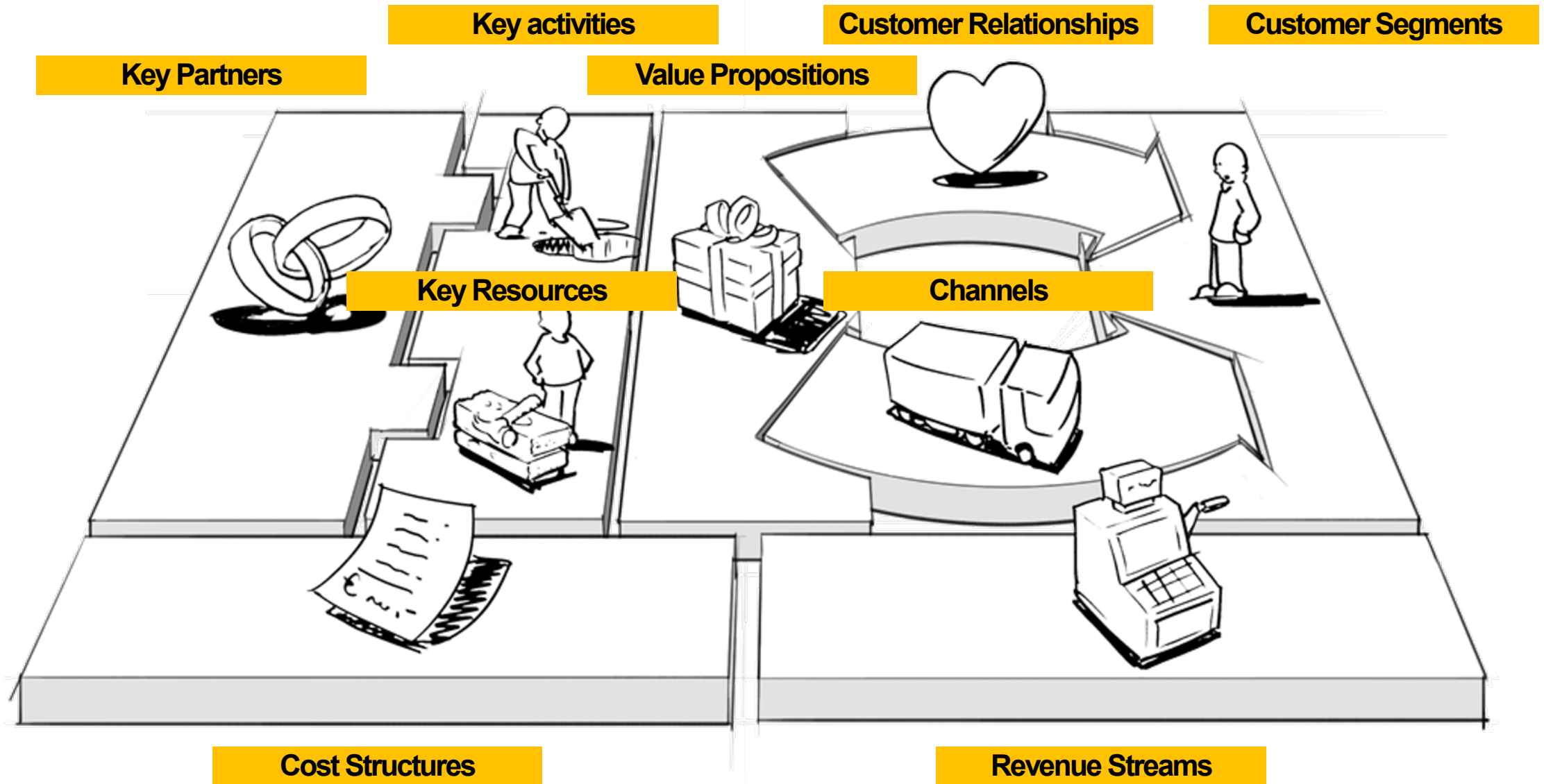
What assumptions have you made regarding your ability to deliver the defined value proposition of a product?

Will you make a profit?

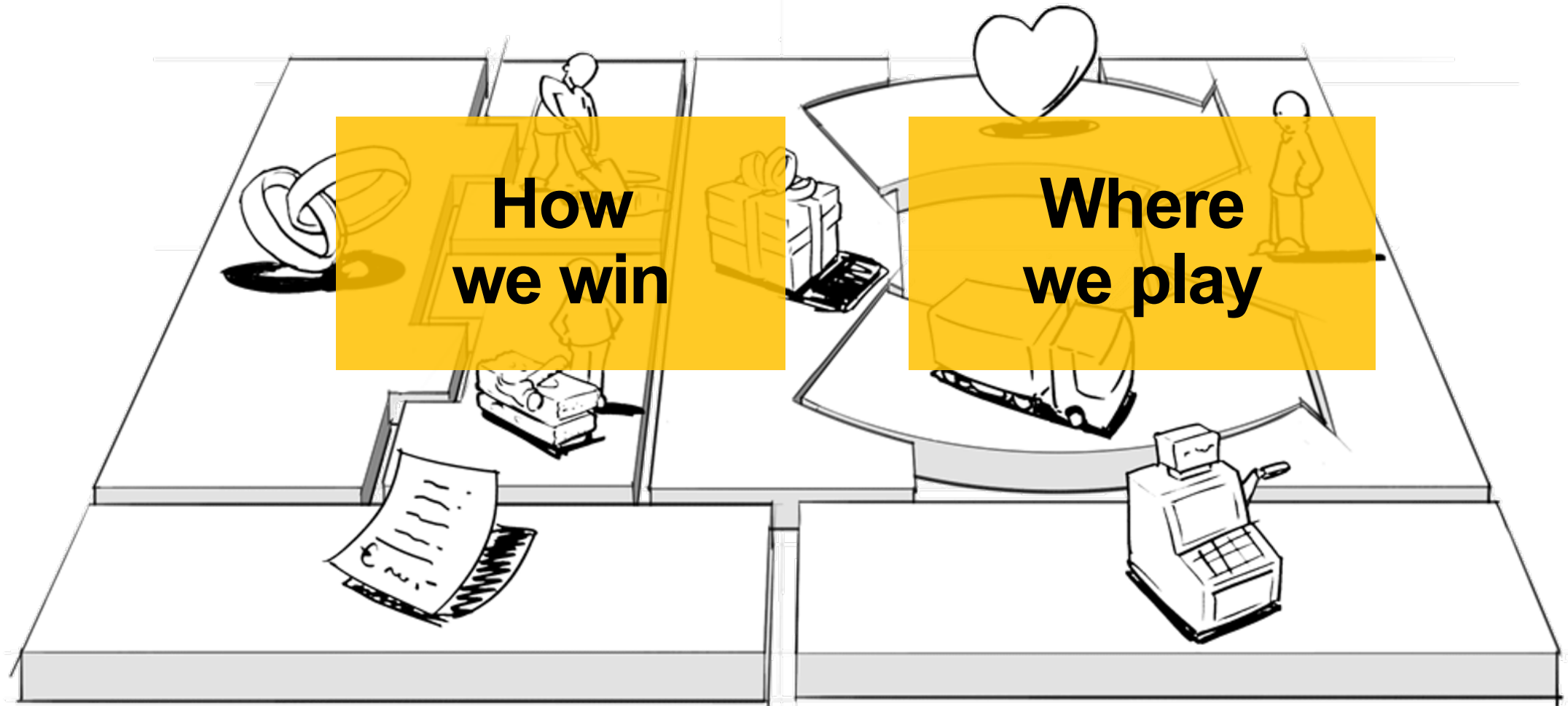
What assumptions have you made related to revenue streams and cost structures?

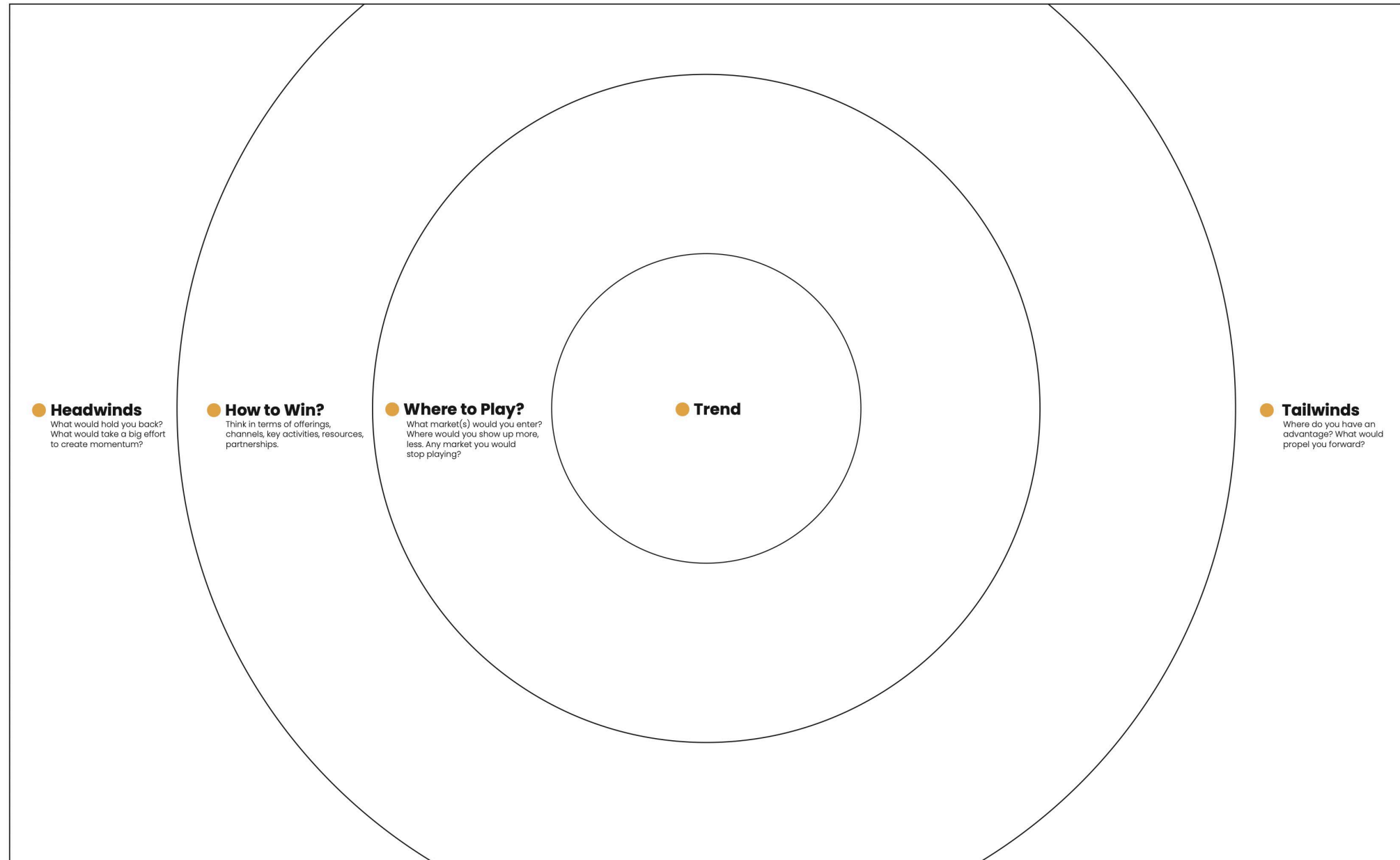
Exercise #2

Business Model building blocks



Business Model categories





Exercise #2

Trend Navigation

What are things we are doing to create or protect the value of the financial services community in the face of significant market shifts?

Example Trends that affect your business

Obvious trends impacting banking

Banking as a Service

85% of respondents to a 2021 Finastra survey said they were or are planning to enter the BaaS market

Aging Population

By 2030 the world's population is projected to rise by more than 1 billion. Equally significantly, people are living longer and having fewer children. Growing participation is needed to support and increasingly aging population.

100% Digital

According to a J.D. Powers study, a record 41% of US retail bank customers are now classified as digital-only.

ESG Demands

Certain investors and regulators are looking for additional environmental promises as they urge financial firms to become better stewards of the planet.

Market Fee Pressures

Many organizations are eliminating or reducing certain consumer fees in response to market and regulatory pressures limiting a once lucrative revenue resource.

Payment Speed

Alipay, Venmo and other apps have accelerated the speed and ease of payments, consumer demands are asking for quicker and more seamless payment mechanism from their banks.

Not so obvious trends impacting banking

Supply Chain Disruptions and Challenges

The International Monetary Fund cited supply chain woes among other factors as it downgraded its forecast for global economic growth for 2022 to 4.4 percent from 4.9 percent

Marketing Influencers

17% of companies will devote more than half of their annual marketing budget to influencer marketing campaigns. Over 66% of brands are expected to increase their influencer marketing budgets.

Increasing Healthcare Costs

National health spending is projected to grow at an average annual rate of 5.4 percent for 2019-28 and to reach \$6.2 trillion by 2028

College Admissions are down

Enrollment peaked in 2010 at 21.02 million. Since 2010, enrollment has declined 9.6%

Resource Scarcity

As the world becomes more populous, urbanized and prosperous, demand for energy, food and water will rise. But the Earth has a finite amount of natural resources to satisfy this demand.

Smaller Households

Single-person households are the fastest-growing household profile in the world.

Shortened Workweek

To compete in the war for knowledge worker talent, some companies will shorten the work week rather than increase pay.



What did we miss?

What trend or topic did we not cover today that is important to you or came up in your discussions?



Protecting Value

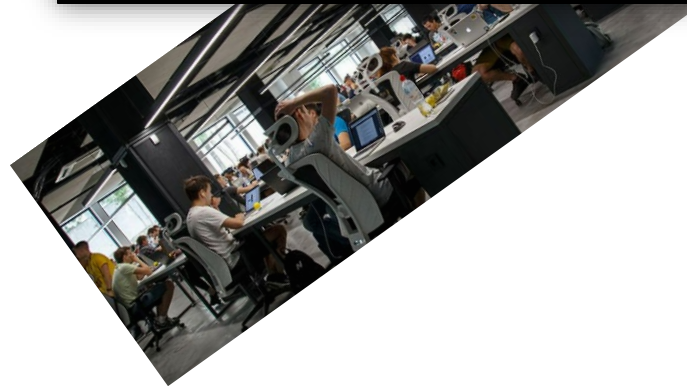
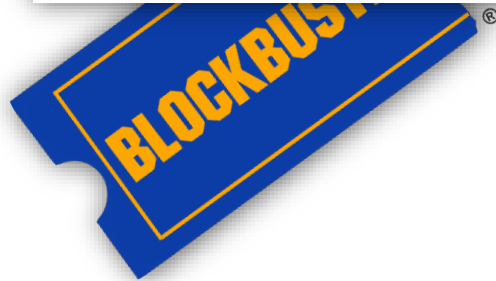
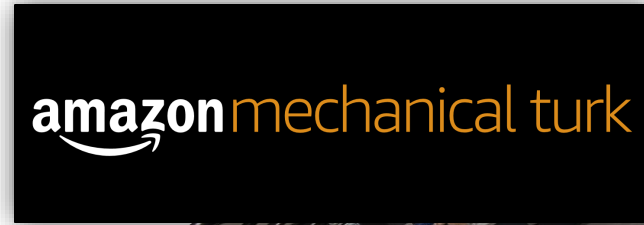
What actions or activities can we take to protect the value of your organization in the face of that trend.



Creating Value

How might you view the opportunity in that trend? Is there value we can create or capitalize on if we were to do something now?

Resilient companies foresee and act on disruptive forces



Four things to stop doing today

1

Strategize annually

Disruption and resiliency are constant. Operationalize process to constantly challenge your investments and strategies.

2

Take on too much

Know where you're great and where you're not. Taking on too much disruption rarely results in desired outcomes.

3

Possess a downside mindset

Shift your mindset from assessing all the things that could go wrong with an industry event. Look at disruptions with lenses of risk and opportunity.

4

Wait for regulation

Don't wait for the focus on operational resilience in Europe to reach the US. Resiliency and viability may be the most important elements of your business today.

Four things to start doing tomorrow

1

Build out your strategy

In a world of constant change, knowing where you will play and where you will not is of upmost importance.

2

Remain customer-focused

Resiliency has been internally focused for too long. Seek to understand the risk and disruptions of your customers.

3

Invest in technology

Understanding operational resilience requires the ability to integrate and synthesize information and perspectives across business silos.

4

Evolve and iterate

Effective development will be evolutionary and dynamic, not revolutionary. Refine your tools and techniques in an iterative process.

<To be Updated for Each Session>



Thank you

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