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The talents and people financial services firms of the future will need

Introduction:

I have been asked to say a few words regarding the talents and people that financial services firms of the future will need, and am pleased to have the opportunity to do so.

But before I get into a discussion of the specific skills and abilities that will be required, let me begin by making a few comments about the environment in which these future professionals will work. It is now undergoing dramatic change, and will continue to do so. Of course, you might say that has been the case for the past two decades or more, and you would be right. But there is a marked difference now. The changes are so pronounced, so structural and are occurring so rapidly that they will affect the thinking of, and the requirements for, future professionals in the Swiss financial center and in the global arena.

Let me illustrate with some key points:

Firstly, the structures of the past in commercial and investment banking are rapidly evolving. The financial world in Europe is being altered by the forces of integration, globalization and consolidation. The environment of the past, in which corporate and commercial banking relationships were regional and often long-standing, is disappearing.

Across Europe, small and mid-size banks that once made a fine living lending and providing domestic banking services to local companies are being forced to choose from three alternatives: acquisition and expansion, integration into a larger organization, or an acceptance of a new and diminishing role.

While there will still be room for smaller European banks—just as there is in the US for smaller regionals—global organizations and banks that are growing into pan-European entities are eating up more and more share of market.

Secondly, even among the world's largest financial organizations, the fundamental drivers of revenue are changing. An increasingly large chunk of the investment banking business is now driven by alternative investment specialists such as private equity firms and hedge funds—which are both clients of investment banks and rivals at the same time in certain areas.

The situation is a delicate one, and is still evolving. Usually, investment banks bring these alternative specialists investment ideas, lend them money or stock, and advise on or underwrite the deals that constitute the exit strategies for their portfolio companies.

Though their presence is larger in the US, hedge funds and private equity firms are making themselves known in a big way in Europe as well. Last year, for instance, financial sponsor acquisitions of European target companies were up 56% over 2004 to almost $150 billion, according to Thomson Financial. In 2001, the total was a mere $33.1 billion.

Thirdly, the increasing commoditization of traditional high-value-added products such as those in debt capital markets and to an extent even in M&A have led many banks, especially in the US, to increase their risk tolerance level and their use of proprietary trading. In this regard, the US media have characterized one or two of the most aggressive traditional investment banks as operating more like hedge funds than investment banks. While I would not necessarily agree with that - and we in the Swiss financial center certainly have our own views of appropriate risk - the trend is clear.

Even in M&A, a still small but increasing number of companies, particularly in the US, are internalizing many of the functions for which they used to rely on investment banks, such as idea generation, research, due diligence, execution, and, in some cases, even financing. Indeed, the number of global M&A deals done without advisors increased 34% year-on-year in 2005 to $355 billion, up from only $196.7 billion in 2002. Don't misunderstand me on this point. There is still an overwhelming need for good advice from trusted advisors, and there always will be. But the point I am making here is that long-cherished notions and ways of doing business in the financial services world are changing, and we must adapt, both as individuals and as institutions.

In retail banking and to an extent in private banking as well, the very nature of clients is changing. That is partly because life patterns are shifting and becoming more unpredictable. People are getting married later in life, getting divorced more often, starting second families more often, and embarking on second or even third careers. At retail banks, younger customers these days are far more hands-on than older ones, and generally far more mistrustful of institutions, according to an IBM Institute study published last year. As a result, the study said, US retail banks have a defection rate as high as 30%.

Customers in general want to pay less for what they perceive to be commoditized services, but are willing to pay more for products that matter to them personally or that they perceive as truly value-added.

In many ways, it is customers who are redefining the rules of banking, and that is as it should be. We in Swiss private banking have always put customers at the center of our world. At Credit Suisse Private Banking, for example, we have transformed conventional asset management into an asset *and* liability management service that takes both existing and future liabilities into account.

We also recognize that while clients may want comprehensive advice from a single source, they may not want to buy all their products from the same institution. Hence some time ago we implemented “open architecture” in wealth management, giving our clients access to the best available products on the market as a whole.

There are many, many other instances of sweeping change I could cite in other financial industries such as insurance and reinsurance, and on the regulatory and technological front, but what I am here to talk about today is less the macro trends than the individual constituents that push those trends.

Given all these changes swirling around us—changes that will only intensify as technology improves—what kind of individual is best suited to the new world of financial services? Who will we as a financial institution be looking for in the future? Will it be an impossibly gifted and broadly-schooled renaissance man or woman of finance? Or will it be a specialist with deep knowledge in a particular product?

Surely, there will be a place for both. But I would like to cast my vote in a different direction. I believe that the financial services leaders of tomorrow, the ones who will be most successful, will be individuals who are able to look beyond the chaos of change, and from it pull out what is lasting. To look beyond the wisdom of the moment—steeped in regulatory urgency or fashionable thinking—and pull out what will be true year in and year out, what is rooted in human experience and common sense.

Banks operate in a multi-faceted environment that is shaped by a variety of stakeholder groups from the economy, society, politics, ecology, technology, law and supervision. We are constantly being bombarded by national and international competitive pressures, by rulings and court decisions and the temptations of the moment. What will be most valued here will be the ability to go beyond a specific professional competency, to give weight to all these pressures as well as social, political and cultural context, and pull from them the key elements that will shape your department's or your institution's thinking, even its future.

That, in my estimation, will be the currency of greatest value in our future hires.
Beyond that, there are many general abilities and specific ones as well that will prove most valuable to the financial institutions of tomorrow.

Chief among the general traits is one that embraces the spirit of change rather than shrinking from it, and that is entrepreneurship. While the tried-and-true career path at banks—from associate to VP and on up to director and, for some, managing director—will still be the choice for many, others will create their own career path, both within banks and at other financial institutions. Banks recognize the value of entrepreneurial thinking, and structurally we are becoming less hierarchical and more fluid places to work.

The banking business itself is intangible and knowledge-based, and we give our staffs a high degree of autonomy in making decisions and functioning with entrepreneurial freedom. To us, this makes good business sense, and will continue to do so in the future.

The handmaiden of entrepreneurship is adaptability, or a willingness and ability to learn, which I would place next among general traits that will best serve the financial services professional of the future. Banking is driven by knowledge, information and communication. The areas of business, the value chain and networks, the working processes and methods of analysis, are all subject to rapid change. There will be times, perhaps many times, in your careers when you will have to say: “Everything is on the table. Nothing is untouchable. Let’s look at this in a different way.”

This adaptability, this learning, will need to be a lifelong process for you. Advances in technology and expertise expose knowledge and ability gaps all the time and you will need to recognize and react to those gaps.

There are many individual abilities as well that will be in great demand in the future, as indeed they are at the present. Let me enumerate some of these, not necessarily in any order of importance:

- Trustworthy, confidence-building and constructive conduct

- Communication skills, both verbal and written

- Multi-lingualism

- Mental flexibility, physical mobility and the willingness to work long hours

- Ability to work with purpose under pressure, to set clear priorities and maintain an overview even under difficult circumstances.

- Ability to aim for the best possible balance between meeting the requirements of clients, the bank, and other stakeholders on one hand, and your own personal requirements on the other.

- Ability to work as a member of a team.

- High ethical standards, and the good sense to know what is merely pushing the envelope, and what is dangerously gray or potentially unlawful, and the willingness to speak up plainly when the occasion demands.

These are some of the general traits and individual abilities that will be desired and even required by all financial services firms.

Allow me now to move away from the general to the specific, and mention a couple of skills and considerations that we at Credit Suisse will be looking for.

- Credit Suisse attaches importance not only to specialist knowledge when hiring university graduates, but also to performance orientation, personality, methodology and learning and social skills. Certificates and diplomas are often necessary, but they alone are not enough to ensure success in practice.

- We attach importance to internships performed while studying and, when possible, to experience abroad. We also prefer candidates who are multilingual.

In closing, let me note that what I have tried to give you today is a real-world view of financial services professionals, and the traits and abilities we will all be looking for in the future. I would also like to emphasize once again the importance of two key credos that I mentioned early in this talk: One, never underestimate the power of common sense. And two, be adaptable.

The changes I have seen in my professional lifetime have been staggering, and I can't even guess at the changes that await you. What I can suggest is that you learn to embrace them, and as an article of faith learn to welcome each new situation as a challenge.