

Transforming Decision Making in Financial Services

Driving innovation and navigating risk in an ever-changing business environment.

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\$82.7 m

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Introduction

The last decade has seen a revolution in financial services.

New technologies are transforming everything, including how payments are managed, investments are made and loans and mortgages are brokered.

These changes are not just digitalizing service delivery. They are fundamentally changing the shape of the sector. New fintech companies are challenging established firms and offering ease and flexibility to businesses and consumers. For traditional financial services firms the choice is simple: embrace innovation or lose the competitive advantage.

But for all the focus on technological innovation, how financial institutions work with, develop and train their people will remain central to their ability to deliver.

At the same time, governments around the world are sharpening their regulatory teeth. Between October 2018 and December 2019, regulators have levied over \$10 billion in penalties against financial institutions. Firms have fallen foul of rules on Anti Money Laundering (AML), Know Your Customer (KYC) and sanctions. A further \$82.7 million in fines have been issued for a failure to comply with data privacy regulations and for a lack of transparency.¹

At the heart of meeting these challenges are the decisions employers make about their people. Are the right people, with the relevant skills joining the team? Is the money invested in training making a difference? Does the workforce know how to manage risk and respect regulations? Do they understand the consequences of failing to do so?

How these questions are answered, and the decisions that are made as a result, really matters. To do this, employers need robust data on how their people are performing. Testing and assessing staff can give employers the robust information they need to make better people decisions. They can reveal strengths and weaknesses across the workforce, identify needs for training and check that this training is effective. Assessments can transform the recruitment process. They can embed a culture of compliance across the business.

This paper will explore the challenges in more detail. It will demonstrate how employers can make better people decisions by using assessments to get a clear picture of what's happening. In doing so, they can reduce risk and navigate a rapidly changing business environment.



Understanding the Challenges

1. Recruiting the right talent for a change

When growth comes from offering 'more of the same', recruitment can be simple. Employers can know what skills they are looking for and the environments in which those skills are likely to have been developed. They have an instinctive sense around which candidates will slot into team culture.

55%

of firms globally believe that they are failing to innovate due to a skill shortage.

In times of change, for instance, tried and tested recruitment techniques can fail to deliver the intellectual diversity that is the lifeblood of innovation. The right candidates may come from a different kind of company or even from a different industry. Can employers be confident that their skills are transferable? If a new kind of candidate's previous experiences do not follow an established career path, how useful are CVs? Indeed, even for traditional jobs, how useful are CVs? Eighty-five percent of people admit to lying on them.²

Interviews have long been at the heart of the recruitment process. But are they proving as useful as employers believe? In recent years, research has revealed the risks of 'unconscious bias' in job interviews. Without realizing it, employers may be basing their decision on factors other than who is best for the job.³ Hirers may subconsciously opt for familiarity and choose a candidate that reminds them of the current workforce. If they do so, they miss an opportunity to diversify skills, drive innovation or simply reshape the team.

2. Upskilling existing staff

Across financial services, learning and development has never been more crucial. Fifty-five percent of firms globally believe that they are failing to innovate due to a skill shortage. This is making a tangible impact on business with 44% saying they were unable to pursue a market opportunity as a result. A further 47% claimed their customer experience or quality standards are suffering.⁴

Learning and development has been hailed as a solution. Research reveals that 46% of global financial services believe that upskilling and retraining the workforce will hold the key to closing the skills gap.⁵

Investing in learning and development is vital. But that does not automatically make it effective.



Across the world, \$130 billion is spent on learning and development programs. Research shows that only 25% of it is judged to be effective.

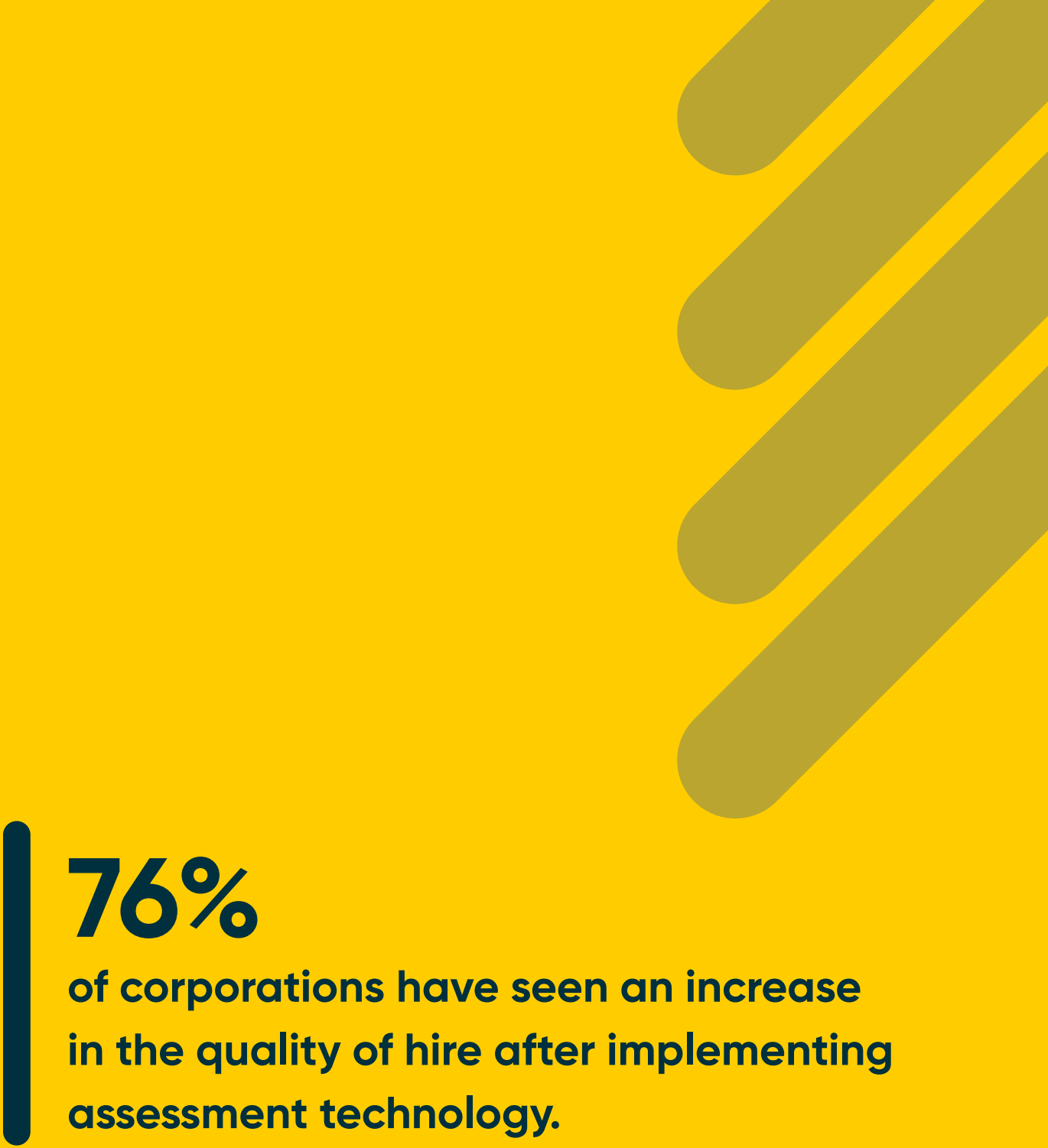


Across the world, \$130 billion is spent on learning and development programs. Research shows that only 25% of it is judged to be effective. The waste is attributed to a range of factors including the quality of delivery and uninspiring content.⁶

3. Ensuring compliance

Since the financial crisis, compliance has risen to the top of the priority list. The introduction of data and transparency regulations in more recent years has added to the sense of urgency. However, research shows that for financial services in Europe and America, regulatory compliance remains their number one challenge.⁷

Regulators are increasingly looking for firms to move away from a 'tick box' mentality and integrate compliance across operational practice. For this to become a reality, employers must be confident that workers understand the regulations. They must also be mindful to recruit people with the right attitude. Doing so creates the right environment for a 'culture of compliance' and assessments can help deliver that.



76%

**of corporations have seen an increase
in the quality of hire after implementing
assessment technology.**

Transforming Decision Making with Assessments

To meet the challenges of a changing world, firms need to reevaluate how they make decisions about their workforce. In recent years, relying on robust data has transformed decision making across businesses.

Too often, however, employers do not have robust information to make effective decisions on their most important asset, the people they employ. Regular testing and assessment of employees can reveal where strengths and weaknesses lie across the workforce.

Assessments can specifically help financial services firms through:

- **Improving the quality of hire** - testing candidates before they are offered a job can ensure that new recruits have what it takes to hit the ground running and drive innovation.

After implementing assessment technology, 76% of corporations have seen an increase in the quality of hire.⁸ In a world where employers are seeking new skills and looking to recruit from different sectors, assessments can reveal which skills are transferable. They can sense-check first impressions from interviews. They give employers the chance to confront whether unconscious bias is getting in the way of selecting the right candidate.

- **Transforming training and eliminating waste** - ineffective training leads to errors and confusion. Unnecessary training is a waste of time and money. By assessing staff during and after training, employers can ensure that the right lessons are being learned. By assessing the skills of the workforce before beginning training, employers gain a clear sense of what skills staff already possess and can eliminate unnecessary training.
- **Building a culture of compliance** - training staff on the relevant territory regulations is not enough. Employers must test staff after training to ensure that the right information has been imparted and that it has stuck. Staff that have failed to learn the necessary knowledge can be retrained. Where the course is failing to make an impact, content and delivery method can be revised. Testing staff also enables employers to demonstrate to regulators, customers and other stakeholders that necessary and robust measures have been taken.

We have worked with financial institutions around the world, helping them to make better decisions and meet the challenges outlined in this paper.

If you are interested in beginning a conversation with us, talk to us at questionmark.com/demo



Appendix

Sources

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Appendix

Questionmark Resources

Best practice guidance from Questionmark

Questionmark publishes several other white papers giving best practice guidance, available from questionmark.com/resources/reports/. The following white papers are useful for follow-up reading:

- [Assessment Results You Can Trust](#)
- [Five Practical Approaches to Test Beyond Recall](#)
- [The Test Fraud Fallacy](#)

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