

GOING AND GROWING OFFSHORE

TALENT TO SEIZE ON THE WEALTH OF OPPORTUNITIES IN ASIA

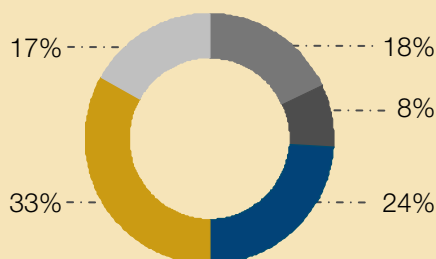
In the second quarter of 2010, Korn/Ferry International invited more than 400 of Asia's top private bankers¹ to complete a survey on the talent management challenges facing the industry, our second since the global economic downturn began. In early June 2010, senior business and HR executives from some of the companies surveyed convened to discuss critical issues and solutions for the way forward. This paper presents the most salient takeaways from the survey and insights gleaned during the gathering led by Ms. Serina Wong, Global Co-Head, Private Wealth Management, Korn/Ferry International.

While in 2009 bankers were focused on getting back to the basics², today's senior executives are positioning their banks to achieve the next level of growth. This includes developing the size of client accounts and the hiring of top talent. As a result, sophistication of products and services as well as talent management and retention are becoming even more vital to banks' future success. Specifically, with revenue projections for Asia's fast-growing markets remaining strong, the industry trend to strategically position global heads in the region continues.



Today's Investment Threshold

Driven by higher profitability and a more stringent regulatory environment, banks are increasing their focus on accounts above US\$ 5 million. Experience shows that very small accounts are more prone to regulatory scrutiny and are technically more difficult to manage, even for discretionary mandates.



- US\$20 million or above
- US\$10 – 20 million
- US\$5 – 10 million
- US\$3 – 5 million
- US\$1 – 3 million

The majority asset size range of private banking clients, Korn/Ferry Private Banking Survey, March 2010.

The Allure of China and Chinese Banks

According to a wealth report³, Asia Pacific is expected to overtake North America as the largest region for high net worth (HNW) individual financial wealth by the year 2013. More specifically, it suggests that the wealth of HNW individuals in China and India will grow to over US\$4 trillion by 2018.

Indeed the findings from this year's survey reflect the growing importance of the Greater China region. However, taking advantage of these expected growth areas requires understanding the dichotomies of this sizeable yet still emerging market and the idiosyncrasies of Chinese clients, who, as Mr. Mark Chan, former Managing Director and Head of Marketing for China at the Bank of Singapore International Private Bank described, include "people with money but little awareness of wealth management, and others who are so sophisticated that it is challenging to answer their questions and adequately service them."

Expanding on this point, Mr. Ignatius Chong, Head of Private Banking, North Asia at RBS Coutts Bank Ltd remarked that Mainland Chinese investors who come to Hong Kong will have access to global investments that they do not have in China. He cautioned, however, that "the Hong Kong industry cannot be complacent." Industry standards need to keep rising in order to attract discerning Chinese clients, he said. "The professional standards of bankers and products have to be improved, otherwise Chinese investors will not be satisfied."

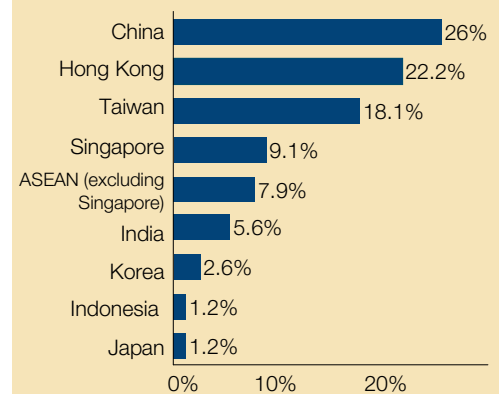
The panel of executives agreed that Ultra High Net Worth (UHNW) clients from Mainland China prefer banks with a local presence. In addition, banks that provide local investments and RMB-based investment products have an edge. Clients based in the People's Republic of China (PRC) often see PRC-based banks as safe, in part because those banks are so highly capitalized. As Mr. Andrew Tsui, Chairman, Hong Kong and South China, Korn/Ferry International highlighted, PRC banks have the advantage of having access to the growing number of small and medium-sized enterprises and high-tech businesses, which are also viewed as promising alternative investment options for HNW clients.

Joanna Chu, head of North Asia at Barclays Wealth, agreed that having a branch office in China is important, and further pointed a dilemma that arises. “When one calculates the profit and loss of a branch, it is very challenging to strike a balance between cost and return on investment. Analysis seems to show that foreign banks struggle to make a profit in the on-shore China market. Banks have to be very cautious in making a significant onshore investment in China, as expected returns may not materialize in the short- to medium-term.” On that note, executives agreed that the offshore market for Chinese investors is still their primary focus.

Whilst the large international private banks – UBS, Citi, HSBC, Credit Suisse and others – are still perceived as leading competitors across the region by the majority of survey participants, they are competing in a rather crowded space with much client overlap. In terms of penetrating the wealth of opportunities that exist in China specifically, major Chinese banks were ranked in Korn/Ferry’s Private Banking survey towards the top of the list as the most exciting, up-and-coming private banks.

It will take Chinese banks some time to fully build out their capabilities, though this day may come much sooner than many expect. Ms. Yvonne Hsin, Head of Private Banking at China Construction Bank Asia, shared this observations about Chinese banks: “On products, we do believe most product platforms are on an open-architecture basis in Hong Kong, and hence it is not as difficult to provide or develop investment products. On systems, I thought there would be nothing [in China] but I was amazed by how sophisticated IT systems at those banks could be. They may not completely resemble what banks in Hong Kong want since they are designed and featured in Chinese, but they can be modified.” She further noted that there is no scarcity of finance talent in China. Some of the private bankers in China have had wealth management training in Singapore, and there is also a trend to send selected employees to Hong Kong to gain international exposure.

Fastest Growing Markets



The off-shore market anticipated to experience the largest revenue growth in the coming year, Korn/Ferry Private Banking Survey, March 2010

Winning Indicators for Private Banks Without an Onshore Presence in China:

- Ability to deliver truly integrated services to clients.
- Ability to serve as one-stop shop for Chinese clients seeking to globalize their assets.
- Ability to leverage their international presence by training Chinese talents on regional and global best practices.

Expectations for Staffing in Private Banking

- 37% expect an increase of at least 10%
- 38% expect headcount to rise between 10-20%
- 19% anticipate it to go up by 20% or more
- Only 6% of respondents expect headcount to remain flat or to decrease

International banks that do not have a presence in China may need to compete by emphasizing and delivering truly integrated services to clients, i.e. serving as corporate finance advisors as well as handling their private banking, or leveraging well-established investment banking and capital markets capabilities. In this way, they can position themselves as a one-stop shop for Chinese clients seeking to globalize their assets, and effectively leverage Hong Kong's positioning as an international banking hub. As for developing new pools of talent, developed markets where international banks are entrenched provide an ideal training ground to equip Chinese talents with regional and global best practices.

Raising the Bar = Investing the Time to Groom High Performers

Satisfying younger professionals' appetite for on-the-job training remains just as much of a challenge as finding and recruiting the appropriate people to begin with. Even though the private banking sector urgently needs talent, the relationship-driven nature of private banking means that it takes much more time to groom private bankers compared to, for example, investment bankers. "While the industry should consider recruiting and growing new graduates [for example], the reality is that the tendency is for management's view to be that there is no time to groom people from scratch," says Ms. Monique Chan, Managing Director, Hong Kong Market Head, HSBC Private Bank. "It takes between eighteen and twenty-four months to grow an experienced retail banker into a private banker." The good news, according to CCB's Hsin, is that people in their late thirties to early forties who have worked in China before aspire to build something for the benefit of their country and thus have a lot of potential to be developed.

On the other hand, past programs designed to convert talent from other industries or banking sectors achieved only mixed results. That said, CCB's Hsin asserts, "the fastest way to get talent is still to hire senior people from other industries and develop them through re-training and mentorship."

The demand for continuous learning is not limited to newcomers to the industry. Ms. Hanna Ng, Vice President and Human Resources Manager at Clariden Leu has noticed that even experienced bankers ask what training is available when considering job offers. Coaching from good mentors remains the key to their success. But finding mentors with the patience to invest the time it takes to get results is not easy, and there is a growing sense that industry collaboration is needed to encourage senior group and team heads to groom future leaders.

With the increased emphasis on high-quality client service, banks are evaluating existing or prospective employees by looking at whether they are suitable to handle certain clients. Ms. Annda Chan, Director, Head HRBP, Private Banking, North Asia for Credit Suisse Private Banking, put it this way: “In Asia, relationships are attached to individual relationship managers. In Europe, client loyalty is to the bank itself.” She further noted, “A bank can always develop a trainee on the product, as well as on sales and client service, but it is very difficult to develop a trainee on building strong relationships with ultra high net worth customers, because these customers want bankers ‘with grey hair,’ i.e. experience.” In part because of this, she and others agreed, trainee programs in private banking have not worked as well as similar programs in other areas of a bank.

The pull factor is not as strong as the push factor in getting bankers to move jobs. Even at the senior level, there is a fear of being last-in-first-out, HSBC’s Chan pointed out. “Before the crisis, clients were more willing to follow bankers to new banks. After the crisis, customers are allocating assets across banks and it is difficult for bankers to get them to move. [Consequently], senior bankers are reluctant to move because of their clients’ asset base,” Barclays’ Chu added.

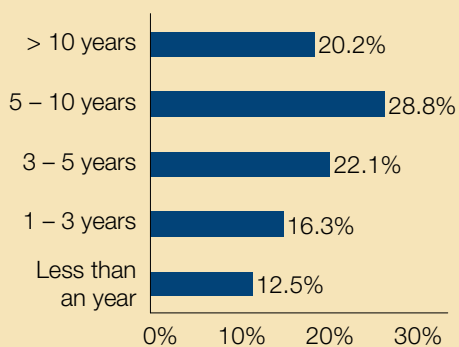
The Ideal Private Bankers

For private banks seeking to devise strategic development programs, Korn/Ferry’s Leadership and Talent Consulting team recommends first identifying and grouping talent into two main categories:

1. Experienced, technical people with no managerial ambitions who can deliver a consistently high contribution over the long term, and
2. Aspiring leaders who can take on broader responsibility to champion brand values.

Whilst Group 1 will continue to drive the bank’s top line, Group 2 will ensure seamless integration between teams within the bank.

The Myth of High Turnover



The average length private bankers have been with their current company, Korn/Ferry Private Banking Survey, March 2010.

Asia's private bankers are generally optimistic about their 2010 pay prospects; it takes compensation increases of at least 20 percent to lure top bankers generally. But interestingly, money alone is not enough to attract them today. Representatives of the region's leading banks agree that the reputation of the bank's brand and leadership have become more important since the crisis shook the industry, and results of the Korn/Ferry survey show the same.

Ms. Serina Wong, Global Co-Head, Private Wealth Management specialist at Korn/Ferry said that at the top rung, turnover rates are much lower than people would expect according to the survey findings. These and other factors have made attracting talent a very long process. Nevertheless, banks should not—and are not—lowering their standards when selecting seasoned bankers. Finding people from the banking industry with integrity is still key. In addition, more attention is paid to whether there will be room for them to develop their business than to bring along their clients or assets with them.

Key Criteria for Attracting and Retaining Top Talent

	2009	2010
1	Brand Name	Stable Leadership
2	Product Platform	Brand Name
3	Career Enhancement	Compensation Structure
4	Compensation Structure	Product Platform
5	Stable Leadership	Commitment to Asia

Conclusion

As the wealth of opportunities increase in Asia, so does the competition and demand for talent. In a continual race to gain market share, assets under management and revenue, banks are raising their client accounts' AUM thresholds to increase profitability and to avoid regulatory risks. Developed markets in Asia still have an edge due to their global exposure and ability to provide truly integrated services.

Quality coaching and mentorship are essential for new hires' success, and even as employees hold optimistic expectations on pay, stable leadership and brand name remain critical factors to both attracting and retaining the best talent.

References

¹ Participating bankers came from the region's top banking institutions spanning Greater China (including Hong Kong and Taiwan), ASEAN (Indonesia, Malaysia and Singapore) and India. Executives include Heads of Asia, team leads and individual relationship managers with AUM of more than US\$200 MM.

² The Korn/Ferry Institute (June 2009) *Getting Back to Basics: Asia's Private Bankers Rebuild Relationships for Recovery*.

³ Merrill Lynch (2009) *Capgemini World Wealth Report*.



Serina Wong is the Global Co-Head of Private Wealth Management at Korn/Ferry International. Based in Hong Kong, she can be reached at serina.wong@kornferry.com.

About The Korn/Ferry Institute

The Korn/Ferry Institute generates forward-thinking research and viewpoints that illuminate how talent advances business strategy. Since its founding in 2008, the institute has published scores of articles, studies and books that explore global best practices in organizational leadership and human capital development.

About Korn/Ferry International Asia Pacific

Korn/Ferry International, with a presence throughout the Americas, Asia Pacific, Europe, the Middle East and Africa, is a premier global provider of talent management solutions. Korn/Ferry was the first major global executive search firm to operate in Asia Pacific when it opened its doors in Tokyo in 1973 and today has 18 offices in key business centers throughout the region. Based in Los Angeles, the Firm delivers an array of solutions that help clients to attract, develop, retain and sustain their talent. Visit www.kornferryasia.com for more information on the Korn/Ferry International family of companies and www.kornferryinstitute.com for thought leadership, intellectual property and research.

