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The Talent Equation

*How The Global Financial Services Markets Are
Being Shaped By The Attraction, Development,
And Deployment Of Specialist Talent*

Perspectives from TRANSEARCH International

One language is beginning to emerge as the focal point of financial services organizations stretching from established capital markets in New York, London and Hong Kong to fast-growth and emerging global business centers such as Dubai, Shanghai and Mumbai.

It is the language that unifies global strategy with tactical execution in an increasingly competitive global market for financial services. And one that speaks to future performance potential more clearly than any other.

It is the language of talent.

“what’s true for other sectors of the global economy is especially true and consequential in the financial services arena - money and world-class management talent follow opportunity”

Whether spoken in the context of continuing challenges facing North America’s financial chieftains or an environment of seemingly unsustainable skyward growth across Asia and the Indian subcontinent, the most effective development, attraction and deployment of talent and world-class management leadership is seen as the single game-changing dynamic that will shape the future of the global financial services marketplace.

Much in the same way the flow of financial capital into and out of the world’s financial centers reflects the potential for return on investment for shareholders, the mobility and movement of human capital continually sets and resets the competitive environment and preordains organizations’ financial performance for the very same stakeholders.



What’s true for other sectors of the global economy is especially true and consequential in the financial services arena. That is that money and world-class management talent follow opportunity.

So as the business cycle, regulatory affairs, demographics, economic growth and business trends such as outsourcing shape the global money markets, they also influence financial services organizations’ ability to recruit, develop and retain the best leaders.

From Paris, London, and New York to Hong Kong, Moscow, Mumbai and beyond, the leaders of the TRANSEARCH International Global Financial Services Search Practice have combined their regional perspectives on the currents that are redrawing the world’s wealth map into this global report on the influence top management talent will play far into the future.

The View From New York: A Retrenchment Of The Financial Services Landscape

The economic tremors manifest in the sub-prime mortgage fallout, the weakness of the U.S. dollar, the credit crunch, a sagging real estate market and the historic collapse of Bear Stearns have rattled investor confidence broadly but impacted the world's most sophisticated financial services center rather unevenly.

“There’s a huge amount of interest in financial services, so there’s neither a net influx nor an outflow of talent out of the United States”

Recent workforce downsizing by some of Wall Street’s largest employers have elevated concerns that the tumult in the U.S. economy could lead to a 20 percent cut in the financial services labor pool. But since the financial impact is spread across investment banking, asset management and capital markets, each with its own competitive pressures, the long-term consequences of this market realignment are still unclear.

“Wall Street over hires and they over fire and the same thing will happen now,” says Jay Sterling, senior consultant with Cromwell Partners/TRANSEARCH in New York City. He adds that while such layoffs raise significant issues about performance management and the process by which those companies will hire and fire in the near-term, financial services continues to attract talent in ways that no other market sector can.



“There’s a huge amount of interest in financial services, so there’s neither a net influx nor an outflow of talent out of the United States,” Sterling says. “People from engineering schools are coming into the financial community in droves and we’re seeing some very technically skilled people move into these markets from places like Asia, India and Europe because of the increasingly quantitative nature of top financial services roles.”

New talent is continually gravitating to financial services, he explains, not only because of the compelling monetary rewards, but also because of the new knowledge-based and technical requirements for ever-complicated financial deal making.

“Take derivatives, for example,” Sterling says, “where you have these heavily quantitative positions that require people who know how things fit together. It’s almost all financial engineering. Most of the big engineering schools now have big financial engineering programs...”

Sterling says that more employers in the global financial services markets – be they private equity firms, hedge funds or others – can find qualified specialist talent in their local market than ever before.

“When I first got into this business 20 years ago, there was a tremendous movement of people from the United Kingdom to New York, but I don’t see that anymore,” Sterling says. “Back then, if you were a chartered accountant, that was equivalent to an MBA and you could get a job in banking in New York.” Now, he adds, there are far more backgrounds that can apply to a far more complex financial services marketplace and ever increasing opportunity to be found much closer to home for people across Europe and Asia.

Because of the continuing transfer of wealth to emerging markets, Sterling adds, many global citizens with significant financial services experience can opt for rewarding careers in their home country.

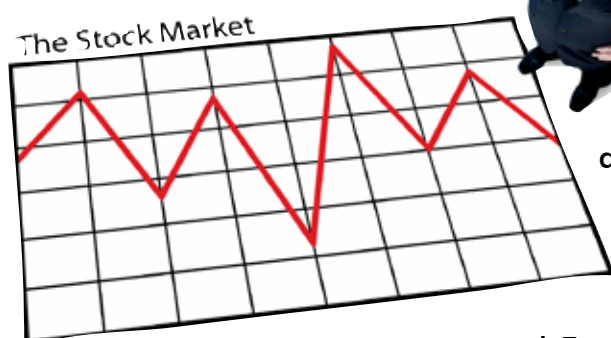
“because of the continuing transfer of wealth to emerging markets, Sterling adds, many global citizens with significant financial services experience can opt for rewarding careers in their home country.”

“There are so many people with Indian backgrounds living in the New York area, I’m sure many of them would find going back and working, at least temporarily, in India an attractive option,” he says. And for younger generations in India and other emerging markets, it’s clear that an assignment in New York or London isn’t the only way to the top. “They don’t need to go there anymore because the work is so good at home.”

Europe Braces For U.S. Fallout, But Gains Clout As Bridge To Eastern Markets

Uncertainty about the magnitude from the financial services sector continental Europe have already market in London.

and reach of tremors that will invariably extend in the United States to the United Kingdom and unsettled the significant investment banking



The likely fallout may ultimately be realized through some tightening of head counts going forward, as there is still leverage to adjust the European financial services workforce to account for any disruptive market influences extending from the west.

Stephen Raby, founder of Stephen Raby Associates/TRANSEARCH in London, says the flow of talent around Europe has been rather predictable for some time, with many early-career entrants into London’s investment banking market likely to move elsewhere after five or 10 years close to headquarters there.

Private banking, Raby says, continues to capture interest in the London market. “There is scope for movement of talent between countries and particularly on a products basis, such as attracting product specialists from investment banking to private banking, and in the derivatives space, particularly,” he says.

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He adds that options theory, much like in the United States, continues to drive demand for engineering and other technically qualified talent. And likewise, Raby acknowledges that Indian expatriates are returning home in growing numbers because of the health of the Indian economy, continuing investment by financial services companies, and a myriad of compelling career opportunities.

“There is a trend there that wasn’t there three or four years ago,” he says of the movement of India expats.

Another new dynamic that may impact the competitive landscape and the talent market is the



increased demand and very limited local supply of top financial services talent in Russia. While many experienced financial managers elsewhere in Europe may pass at opportunities to help develop Russia’s comparatively unsophisticated financial markets, it remains to be seen whether such a move would be viewed as a career advancer or a career limiter for those willing to explore those somewhat uncharted waters.

Stanislav Alexeyev, Managing Partner with TRANSEARCH Russia, says: “Over the past three years, the financial services sector has been booming. Most of the key global

players either entered the market or re-launched their businesses in Russia, especially those in investment banking and consumer banking. At the same time, asset management and insurance have predominantly remained under the control of local players. As a result, the most significant movement of talent has been in investment and consumer banking.”

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Alexeyev says that many of Russia’s financial services organizations reported record profits and growth rates in 2007. That has only fueled demand for professionals in equity capital markets, equity research, mergers and acquisitions, and retail banking, which he says, has reached a fever pitch as banks compete with each other in talent acquisition and aggressively source executives in other industries.

The competition for talent has moved Russia’s financial services companies to raise compensation and offer sign-on as well as guaranteed annual bonuses to attract executive talent.

"The most sensational appointments have been announced by the Top 5 Russian banks," Alexeyev says. "They often motivate top-notch candidates by offering multimillion dollar compensation. The number of executives earning millions annually has increased several times over," he adds.

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Not unlike those in other European markets, Russia's financial services institutions have also been closely monitoring the liquidity crises in the west, however, they are poised to recruit more aggressively to this point in 2008 than those in London and Paris, although at a slower overall pace compared to last year.

"Some executives admit a new tendency in their motivation to switch jobs," Alexeyev reports. "More and more of them leave their employers to secure a guaranteed bonus together with a new appointment for the reason that the prospect of attaining a good bonus with their current employer looks doubtful."

Tania Petersen, a consultant in the Paris offices of TRANSEARCH International, says demand for risk managers for investment banks and asset managers has led to a dramatic rise in compensation for such positions. Salaries for these and other specialized and highly complicated roles such as financial engineering have risen roughly 30 percent.

Financial institutions around the world now seek experienced sales executives with a client portfolio, good technical skills and an international perspective, Petersen says.

Those experienced candidates who are able to sell an entire range of financial products are highly coveted, which has led in part to the departure of many Paris managers to bigger opportunities in London and the emerging markets of Asia. This has also complicated the search for new talent.

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Add to this the consistent sense of urgency to fill vacant positions and seize new opportunities by creating new ones and one begins to scope the difficulty of finding and delivering top financial services talent.

That is in addition to many employers' growing interest in understanding candidates' motivation for making a move and whether their organization will provide the right fit for their future growth, development and performance.

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The Rising Tiger: India Emerging As A Global Force In Financial Services

The growing influence of the Indian economy is fast becoming a global platform for new growth in financial services, and three significant drivers are now driving this increasingly diverse sector of its markets. They are economic growth, demographics and regulation, says Anjali Forbes, a partner with TRANSEARCH India in Mumbai.

“India is already luring many expatriates back to their homeland and this long-standing tradition of exporting talent may reach a more level playing field in the years to come”

With economic growth of eight to nine percent, the financial services market in India is growing to encompass significant businesses in the areas of financial planning, wealth management, private banking and asset management. A new generation of young earners with spending power has spurred a boom in real estate, housing and credit card services, fanned to a significant extent by India’s surging outsourcing market.

Long a significant net exporter of management talent, the burgeoning financial services market in India is attracting global pools of financial services talent to help address the booming corporate and consumer demand. India is already luring many expatriates back to their homeland and this long-standing tradition of exporting talent may reach a more level playing field in the years to come.

Given many Indian institutions’ need to develop global scale and credibility, and the global players’ need to partner with local experts to quickly build and tap into the demand base in India, there has been a fair amount of regulatory reform that has helped open up the subcontinent’s financial services sectors in terms of foreign investment and product offerings.

With these kinds of moves taking place, Forbes says, product offerings across India’s financial services markets are becoming more complex as companies gain scale, strengthen risk management and improve corporate governance practices. All of this requires management executives with strong track records at the most senior levels of corporate leadership.

“There is significant demand for a very high quality of leadership talent with specialized financial services experience,” Forbes says. “We are also seeing the local talent pool is not adequate in terms of experience in the newer, complex areas of the financial services sectors, so Indians with experience in more developed markets are in high demand.”

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Forbes confirms what TRANSEARCH International consultants have been seeing in their regional markets.

“compensation levels are being driven upward, with more and more Indian financial services companies benchmarking salaries to global market levels”

That is the growing requirement for financial services talent with quantitative modeling and analytical skills, which is already leading many graduates of the best Indian technology institutes directly into careers in the financial sector. A growing number of them will pursue a master’s degree in business after earning their engineering degree before taking a financial job.

What’s more, Forbes adds, there is growing demand for technical financial talent in the real estate private equity markets, with companies “looking for people with project management skills who can provide the necessary support to their investment guys.”

Invariably, compensation levels are being driven upward, with more and more Indian financial services companies benchmarking salaries to global market levels. Some are already moving to introduce significant financial and non-financial retention tools and programs to arrest the attrition of key talent.



“We’re seeing a lot of cross-border movement of talent across financial services. For example, in the areas of consumer banking and wealth management we see the movement of talent from London and New York City and the Middle East,” Forbes says. “Many Indians are being brought home into more senior positions, and some foreigners, especially in the insurance sector, where actuarial skills are needed.”

So while the larger and more established financial markets in New York and London cope with the issues raised by the U.S. economy and financial sector, India continues to grow and expand and will rely on new sources of human capital for some time to come. “There’s just not enough talent here,” Forbes says.

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Interpreting Financial Services Maturation Across China, Asia And Beyond

“The financial services market is maturing and segmenting much more quickly in the emerging markets of Asia than it did in the West,” says Vincent Swift, Asia Pacific region chairman of TRANSEARCH International. “The level of sophistication in financial services and other markets that evolved over 200 years in the West is developing in a much shorter time frame in Asia.”

Swift says a regional war for financial services talent is now unfolding as global capital finds its way into the Asia Pacific region, and this is leading to the broad maturity of executive search practices to support the demand for leadership assets.

“Three big factors – the absolute shortage of talent, the absolute increase in real wealth and real assets here, and the accelerated development of more sophisticated financial structures all but guarantee that Asia is going to resemble the West far more quickly than anyone imagined.”

Further, he adds, “The markets are heating up, competition for talent is intensifying, salaries are escalating in China and India and even within more developed financial markets there is a dearth of talent.” Swift says that is in part because of how talent is being drawn out of financial centers such as Hong Kong, Singapore and Tokyo.

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He also observes that, across the Asian marketplace, financial services-related job titles that didn’t exist 10 years ago and which were just being introduced to those markets only five years ago are now commonplace.

“You’re creating new job categories for the more sophisticated financial services products on all sides of the capital markets, including the buy side” Swift says. “These markets were not big enough in dollar terms and not sophisticated enough in years gone by, but all that is changing now.”

In China and India, he says, there is a move from what he calls ‘vanilla banking’ to a fairly sophisticated market and job segmentation in a short period of time. This trend is being driven in part by the massive rise of sovereign wealth funds.

“You haven’t really seen the impact yet of a trillion dollars of China’s sovereign wealth fund,” Swift notes. “ You also have the Korean Investment Corporation, and although you’ve seen the impact the Indian conglomerates are having on the world stage, you haven’t yet seen the full impact of India, Inc.”

As the Asian financial services markets continue to mature and segment, they’re taking on more of the complex structures and talent requirements the West has taken the last 20 to 30 years to fully develop.

“Asia is also mirroring the behaviors of the western markets. However, Asia is not as highly leveraged as the West because all of these new financial instruments are relatively new and the wealth that’s amassing in Asia is relatively new, so the whole region is moving more conservatively,” Swift says.

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The regional also hasn't overextended itself and remains in direct control of significant wealth that has been accumulated in recent years.



As a result, he adds, there is no anticipation that the winds of the credit crunch that are causing pain in the West will extend fully to Asia. Rather, they will serve as a lesson to the Asian financial markets about why they should think cautiously about overextension.

If there is a bright spot for the big Western banks and investment banks it is Asia, Swift contends, with their emerging middle classes and the accumulation of wealth at the sovereign wealth, personal and national levels.

"Whichever way you look at the emergence and growing sophistication of financial services across Asia," he says, "the growth is still phenomenal and as a result there's a land grab going on."

The net effect of all that – in terms of talent – is that the war for top talent continues to intensify and talented individuals across Asia have the opportunity to move faster up the corporate ladder and can achieve positions of greater seniority at much younger ages with broader business line responsibility.

"In terms of potential, the people who are occupying key roles in emerging financial institutions are going to end up as the new masters of the universe," Swift says. "There is already the ability for stars to move and realize big raises, and employers are facing more pressure to promote key performers and raise salaries."

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Swift adds: "If you use water as the analogy for global capital, it will flow until it finds the right level. If capital now is truly global with sophisticated instruments for moving it around, that's basically what the global financial services market ensures – the efficient allocation of capital – the guys responsible for putting that capital to work or getting it where it needs to go are no longer floating on a different body of water. It's all going to be at the same level."

In terms of the competition for leadership talent, Swift explains, "You see a lot more cross-sector recruitment going on in these economies. The larger retail and consumer banks in Asia have a quite well established tradition of taking people from major consumer multinationals. Executives with fast moving consumer goods experience are highly prized in consumer banks and in the future will be even more sought-after."

Exploring the global implications of the increased flow of talent around Asia, Swift says it is inevitable that there will be a drift of talent from the Western economies to the Asian financial markets where richly experienced management talent will be more highly valued.

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“The war for talent is being brought forth in Asia, but the fiercest heat of battle is in the two sectors that are growing the fastest and globalizing the fastest and becoming as sophisticated as their Western counterparts – and those are financial services and information technology,” Swift says

“I can see that the demand for talent from the developed economies and the big consumers of executive talent which will be China, India and other parts of Asia,” he concludes, “because they’re going to run out of home grown management talent and they’ll increasingly go overseas to recruit it.”

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About TRANSEARCH International

TRANSEARCH International has representation in most of the major economic centres of the world with over 50 offices in more than 30 countries and is currently rated as the 9th largest global executive search firm by Executive Recruiter News (ERN). TRANSEARCH International was founded in 1982 and celebrated its 25th Anniversary in 2007. For more information contact the TRANSEARCH Central Office (contact@transearch.com).

TRANSEARCH International has Financial Services expertise in the following locations:

AUSTRIA

Vienna Office
+43 1 710 17 80 0
vienna@transearch.com

BRAZIL

Sao Paulo Office
+55 11 3815 12 88
saopaulo@transearch.com

CANADA

Toronto Office
+1 416 963 9000
toronto@transearch.com

CHILE

Santiago Office
+562 4321 860
santiago@transearch.com

CHINA

Hong Kong Office
+852 2530 2332
hongkong@transearch.com

Shanghai Office

+86 21 3218 4710
shanghai@transearch.com

DENMARK

Copenhagen Office
+45 70 21 69 00
copenhagen@transearch.com

FINLAND

Helsinki Office
+358 9 6126 300
helsinki@transearch.com

FRANCE

Paris Office
+33 1 44 34 20 00
paris@transearch.com

GERMANY

Frankfurt Office
+49 69 95 50 14 0
frankfurt@transearch.com

Stuttgart Office

+49 71 17 28 720 00
stuttgart@transearch.com

HUNGARY

Budapest Office
+36 1 212 8743
budapest@transearch.com

INDIA

New Delhi Office
+91 11 4105 1234
newdelhi@transearch.com

Mumbai Office

+91 22 2659 1807/08
mumbai@transearch.com

IRELAND

Limerick Office
+353 61 316 561
limerick@transearch.com

ITALY

Milan Office
+39 02 4657 751
italy@transearch.com

JAPAN

Tokyo Office
+81 3 5501 2101
tokyo@transearch.com

KOREA

Seoul Office
+822 551 2300
seoul@transearch.com

MALAYSIA

Kuala Lumpur Office
+603 7955 6199
kualalumpur@transearch.com

MEXICO

Mexico City Office
+5255 9150 4444
mexicocity@transearch.com

NETHERLANDS

Amsterdam Office
+31 20 528 7870
amsterdam@transearch.com

NORWAY

Oslo Office
+47 215 20 215
oslo@transearch.com

PERU

Lima Office
+511 628 1660/1/2/3
lima@transearch.com

POLAND

Warsaw Office
+48 22 892 92 00
warsaw@transearch.com

RUSSIA

Moscow Office
+7 495 585 5698
moscow@transearch.com

SWEDEN

Gothenburg Office
+46 31 708 1295
gothenburg@transearch.com

SWITZERLAND

Zurich Office
+41 1 368 30 50
zurich@transearch.com

THAILAND

Bangkok Office
+66 2649 2600
bangkok@transearch.com

UNITED KINGDOM

London Office
+44 207 614 4200
london@transearch.com

USA

New York Office
+1 212 953 3220
newyork@transearch.com

Charlotte Office

+1 704 372 1865
charlotte@transearch.com

Houston Office

+1 713 355 1900
houston@transearch.com