External Factors Affecting Workforce Planning in The Financial Services Industry

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Abstract - Over the last decade, the financial services industry encompassed increasing digital changes with technologies. Whether personal, corporate, or consumer finance, the wave of changes is enormous, and the industry's skills see significant diversification. With the industry changing towards consumer-targeted experience and competitiveness, more agile and tech-savvy, utilizing talent effectively is getting more complicated. This study explores the impact of external and internal factors affecting workforce planning in financial services industries like

a. Industry Skills
b. Technology Changes
c. Policy regulations

This could affect the workforce's capabilities. This qualitative study is conducted through a structured questionnaire targeted at Human resource decision-makers in the financial services industry. The study's findings are that the constantly evolving skills and technology talent availability make planning harder, but policy regulations do not affect workforce planning efficiency much. And we conclude by suggesting workforce planning to be more agile in this industry.

Index Terms - Workforce Planning, Financial Services, Factors on Workforce planning

I. INTRODUCTION

The rise of the adoption of digital technology in the financial services industry, a broad term for services including banking, insurance, mutual funds, wealth management, and advisory, forces organizations to transform quickly. Amidst this speeding digital transformation, Human Resource (HR) professionals face unique challenges. Starting from employee burnout, employee support, customer support, and talent management issues, the talent management process is even more complex and demands Human Resources to be more effective and productive. Frequently changing work conditions and technology, attracting, retaining, and motivating talent are important concerns. As predicted by experts in the industry, this industry is expected to see a significant change in the next five years. Tamara Lytle (SHRM)1 says on fintech industries, “Place a high value on attracting and retaining top talent. If the employees are well taken care of, the clients are well taken care of.” It is essential to analyze the workforce and competencies to prepare the organization for future challenges to ensure business success in achieving strategic objectives. In the Financial Services industry, external factors significantly impact the business process.

II. WORKFORCE PLANNING

According to CRF Forum (2020)2, “SWP is a process designed to align a company’s people and organization with its business direction. It involves examining future workforce needs as determined by the business strategy, analyzing the current organization, identifying gaps between the present and future, uncovering risks to strategy execution, and taking action so the organization can accomplish its mission and goals”. It’s vital to implement a business strategy, evaluate the feasibility of strategic options and align the workforce according to the business plan. Workforce planning is analyzing and evaluating the organization's current and future talent needs. This involves the

a. skills analysis of the current workforce,
b. predicting the future requirements,
c. identifying the skill gap and
d. implementing initiatives
e. monitor the plan

to get the right talent to align with the business goals. It’s about ensuring the organization has the right number of people in the right time in the right place. Effective Workforce plans should align with both short-term and long-term plans of the organizations including the summary of current workforce, future workforce, and the plan to bridge the gap.

III. FACTORS AFFECTING WORKFORCE PLANNING

When an organization undertakes workforce planning, many factors must be considered, usually classified as internal and external. Internal factors are within the organization, and external factors are outside the organization beyond control. The external environment impacts the supply of labor available to potential employers. Disha Singh (2022) categorizes external factors into three categories.

- Government Policies

Any form of financial organization has to follow the regulations that subject financial institutions to specific requirements, restrictions, and guidelines, aiming to maintain the stability and integrity of the financial system, which is either developed by either a government or non-government entity. These regulations prevent fraud and financial risks for investors. With the increase in digital implementations, it is also obvious that security is becoming an issue, and new policies are being ruled. These types of regulations influence Human resource processes, including hiring, training, compensation and compensation, and termination. Nonadherence to the policies could even cause companies to be shut down.

- Technological Advancements

Technology helped organizations with innovation. The digitalization of financial services is constantly evolving. Technology has disrupted the finance sector, from ATM to digital banking to customized consumer experience, stock market accessibility, investments, and navigating to cryptocurrency. Itay Goldstein3, a finance and economics professor at the Wharton School, says, “combination of technology and increased interest from small investors who have money to invest and more free time during the pandemic.” This industry keeps advancing and streamlining; hence, analyzing the technical advancements and updating the organization is essential.

- Industry Skills

The business environment changes with every industry, greatly influencing the HR planning process. With the financial services industry facing huge changes, market conditions and operating costs change. Businesses must react quickly to ensure a competitive position in the industry. HR needs to consider the economic and demographic environment that affects the skills required to provide adequate talent with the right skills. This involves overlooking future changes.

IV. RESEARCH METHODOLOGY

The research model was created to analyze the relationship between the above-mentioned factors with workforce planning efficiency. This study is a quantitate approach to studying the correlation. This study was conducted on the financial services industry, including Banking, Insurance, Mutual Funds, and Investment advisors in India. Primary data is collected by distributing a survey posted online on google forms, presenting six close-ended 5-point Likert scale questions, with one qualifying question confirming the respondent belongs to the financial services industry. This online method helped the author to obtain responses and maintain them easily. On sending out the survey forms to 150 potential respondents, only 107 responses were received, the response rate was 71%, and data was cleansed and checked for inconsistencies. Data was removed when the respondent relied on none of the qualifying questions, which were 25. Hence the viable data size was 82. Then collected data is coded into SPSS, which is a proven tool for statistical analysis. The data's validity, reliability, and consistency were tested with the Cronbach/s alpha test, then data analysis was conducted.

V. RESEARCH HYPOTHESES

To answer the main research question, 'Does the External Factors affect Workforce planning effectiveness in Financial Services Industry?', the following hypotheses were formed:

Null Hypothesis 1(H10): There is no relationship between Policy/regulation changes and workforce planning effectiveness in companies in the financial services industry.

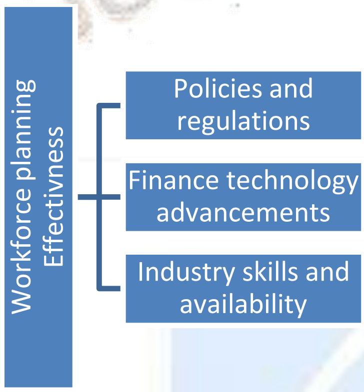
Alternate Hypothesis 1(H11): There is a positive relationship between Policy/regulation changes and workforce planning effectiveness in companies in the financial services industry.

Null Hypothesis 2(H20): There is no relationship between Finance technology advancements and workforce planning effectiveness in companies in the financial services industry

Alternate Hypothesis 2(H21): There is a positive relationship between Finance technology advancements and workforce planning effectiveness in companies in the financial services industry

Null Hypothesis 3(H30): There is no relationship between Industry skills and availability and workforce planning effectiveness in companies of the financial services industry

Alternate Hypothesis 3(H31): There is a positive relationship between Industry skills and availability and workforce planning effectiveness in companies of the financial services industry



VI. DATA ANALYSIS AND FINDINGS

Data is analyzed with SPSS software after the responses are coded. To access the variables on the reliable scale, Cronbach's Alpha was conducted, which was .814, indicating that the items would have a high internal consistency reliability.

Cronbach's Alpha	N of Items
.814	4

Analysis 1:

A Kendall's tau-b correlation was run to determine the relationship between policies and regulations and the workforce planning process effectiveness'. There was no significant correlation, this means Policies and regulations have an impact on your workforce plan, and the workforce planning effectiveness was statistically not significant ($\tau b = .021$ $p = .821$). In other words, the null hypothesis is accepted.

			Organization have effective talent management practice and enough skills for the plan	Policies and regulations have an impact on your workforce plan
Kendall's tau_b	Organization have effective talent management practice and enough skills for the plan	Correlation Coefficient	1.000	.021
		Sig. (2-tailed)	.	.821
		N	82	82
	Policies and regulations have an impact on your workforce plan	Correlation Coefficient	.021	1.000
		Sig. (2-tailed)	.821	.
		N	82	82

Null Hypothesis 1($H1_0$): There is no relationship between Policy/regulation changes and workforce planning effectiveness in companies in the financial services industry.

Analysis 2:

			Organization have effective talent management practice and enough skills for the plan	Changes in the Finance Technology affects your workforce planning process
Kendall's tau_b	Organization have effective talent management practice and enough skills for the plan	Correlation Coefficient	1.000	.263**
		Sig. (2-tailed)	.	.004
		N	82	82
	Changes in the Finance Technology affects your workforce planning process	Correlation Coefficient	.263**	1.000
		Sig. (2-tailed)	.004	.
		N	82	82

**. Correlation is significant at the 0.01 level (2-tailed).

A Kendall's tau-b correlation was run to determine the relationship between changes in financial technology and the workforce planning process effectiveness'. There was a positive correlation, which means Changes in Finance Technology affect your workforce planning process, and the workforce planning effectiveness was statistically significant ($\tau b = .263$, $p = .004$). In other words, the null hypothesis is rejected. Therefore, the alternative hypothesis H1: $\tau \neq 0$ is valid.

Alternate Hypothesis 2($H2_1$): There is a positive relationship between Finance technology advancements and workforce planning effectiveness in companies of the financial services industry.

Analysis 3:

			Organization have effective talent management practice and enough skills for the plan	Changing industry skills and availability affect your workforce planning process
Kendall's tau_b	Organization have effective talent management practice and enough skills for the plan	Correlation Coefficient	1.000	.344**
		Sig. (2-tailed)	.	.000
		N	82	82
	Changing industry skills and availability affect your workforce planning process	Correlation Coefficient	.344**	1.000
		Sig. (2-tailed)	.000	.
		N	82	82

**. Correlation is significant at the 0.01 level (2-tailed).

A Kendall's tau-b correlation was run to determine the relationship between changing industry skills and availability and the workforce planning process effectiveness'. There was a positive correlation, which means that Changing industry skills and availability affect your workforce planning process, and the workforce planning effectiveness was statistically significant ($\tau b = .263$, $p = .004$). In other words, the null hypothesis is rejected. Therefore, the alternative hypothesis H1: $\tau \neq 0$ is valid.

Alternate Hypothesis 3($H3_1$): There is a positive relationship between Industry skills and availability and workforce planning effectiveness in companies in the financial services industry.

VII. CONCLUSIONS

Kendall tau-b correlation was conducted based on the questionnaire designed; three separate tests were conducted for the factors impacting workforce planning. Changing industry skills and finance technology significantly impacts the effectiveness of the workforce planning process, but policy regulation has a positive correlation but does not have a significant impact. Hence, two alternative hypotheses are safely accepted, and one null hypothesis is accepted.

Hence, it is concluded that the changing skills and technology affect workforce planning. Organizations have to closely monitor and stay agile and update their skills to stay competitive and achieve their business goals.

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