

Generational Talent Management.

*Strategies to Attract and
Engage Generation Y in the
U.S. Banking & Securities Industries*



Executive Summary

Corporate Brain Drain – this is arguably the single most concerning impediment to long-term sustainable growth in the U.S. banking and securities industries. The contributing forces are familiar: an aging talent pool combined with a diminishing pipeline. Further compounding this issue is a changing market landscape that requires new perspectives and skills. To remain competitive, executives in banking and securities must overcome past negative perceptions created by self-interested employers and market their brand to their newest workforce consumer – Generation Y.

As this group joins the three existing workforce populations (Veterans, Baby Boomers, and Generation X), company leaders must work to understand their varying attitudes, beliefs, and needs and to leverage such diversity.

The scenario is forcing companies to rethink their strategies and priorities. While it is estimated that Generation Y – also called Gen-Yers – (birth years 1982-1993)¹ currently make up only about 10% of the U.S. labor pool, approximately 1.4 million more are expected to join this year.² More than any previous workforce generation, they balance idealism with pragmatism and demand flexibility, balance, respect, and accessibility. Specifically, Gen-Yers tend to look for long-term career development, variety of experiences, a sense of purpose and meaning in their work, open social networks, and work/life balance.³ As this group joins the three existing workforce populations (Veterans, Baby Boomers, and Generation X), company leaders must work to understand their varying attitudes, beliefs, and needs and to leverage such diversity.

This point-of-view focuses on strategies for replenishing and growing the workforce within the U.S. banking and securities industries. Specifically, it examines the values of Gen-Yers, and suggests tactics to engage and sustain the interests of these young people. In doing so, it builds upon Deloitte Consulting LLP's Develop-Deploy-Connect Talent Management framework (see exhibit 3).⁴ Generally, financial institutions and securities firms can “develop” their workers by providing them with active learning opportunities, “deploy” them by designing effective organizational environments, and “connect” them by creating infrastructure to foster collaboration. The study also presents targeted approaches for employer branding through its components: expertise, culture, and positioning. While individual tactics may provide quick fixes, enduring generational competence requires companies to incorporate the underlying workplace values into their talent infrastructures.

The Talent Conundrum

A combination of demographic, economic, and financial dynamics could lead to shortages of incoming banking and securities professionals. Concurrently, a changing industry landscape requires that companies attract and engage such talent to be competitive. Some of the most salient factors contributing to this talent conundrum include an aging workforce, negative publicity and perception, cyclicity, changing customer demographics and an evolving competitive landscape.

Aging Workforce

According to the Bureau of Labor Statistics, between 2002 and 2012, growth in available workers aged 16 to 44 will lag that of workers aged 45 and older across all industries in the U.S. (see exhibit 1). This labor shortfall is further aggravated by the impending retirement of those in older age groups, namely Baby Boomers and remaining Veterans.

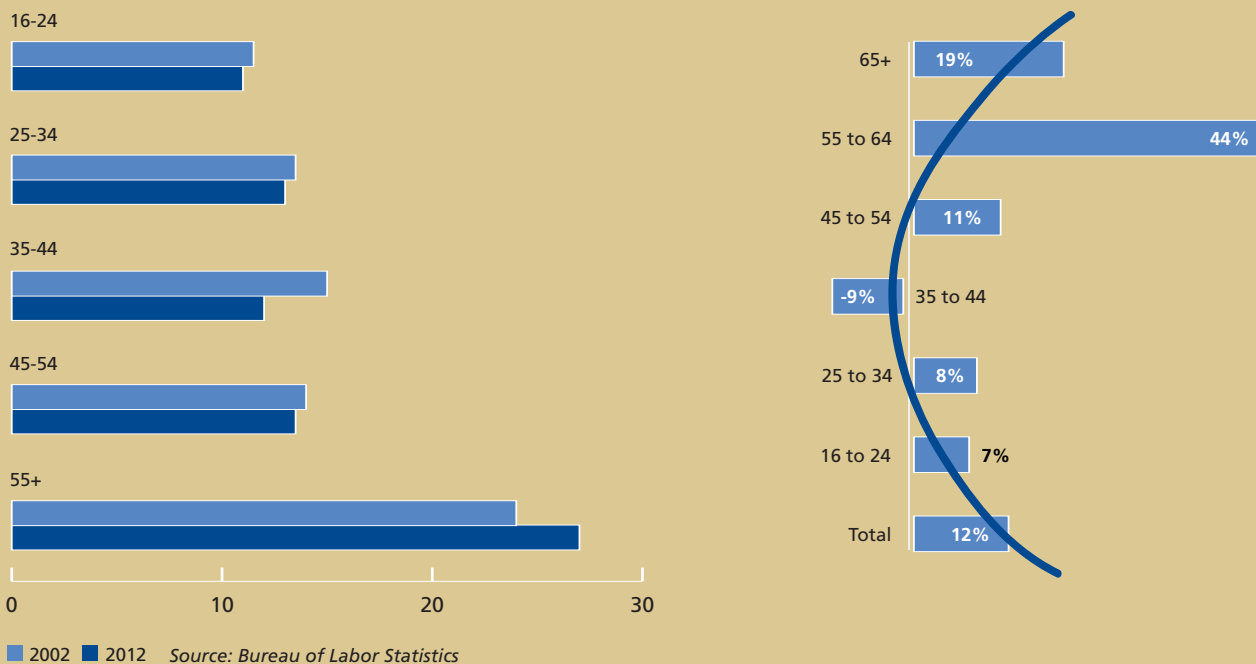
Many major banks and securities firms, in particular, could face critical deficiencies with approximately two-thirds of all front-line employees being either less than 30 years old or within five years of retirement. Moreover, with a majority of experienced

management expected to leave the workforce over the same period, many retail banks must work to curtail the loss of vital institutional knowledge.

Negative Publicity and Perception

In the years following the late-90s dot-com bust, corporate America has been plagued by a rise in highly publicized scandals. The securities industry has received particular attention, with the exposure of various conflicts-of-interest between the equity research and banking functions. Many of these are believed to have contributed to unsustainable IPO valuations, thereby

Exhibit 1. U.S. Percentage Change in Workforce by Age Group, 2002-2012



impacting the wallets of Gen-Y parents and older siblings. This result has likely affected the perceptions of this new workforce, who tend to prioritize social responsibility and can be skeptical of large business. Furthermore, many Gen-Yers view employment in the retail banking industry as rigid and slow-paced⁵ – attributes that can contradict their workplace values.

Cyclicalities

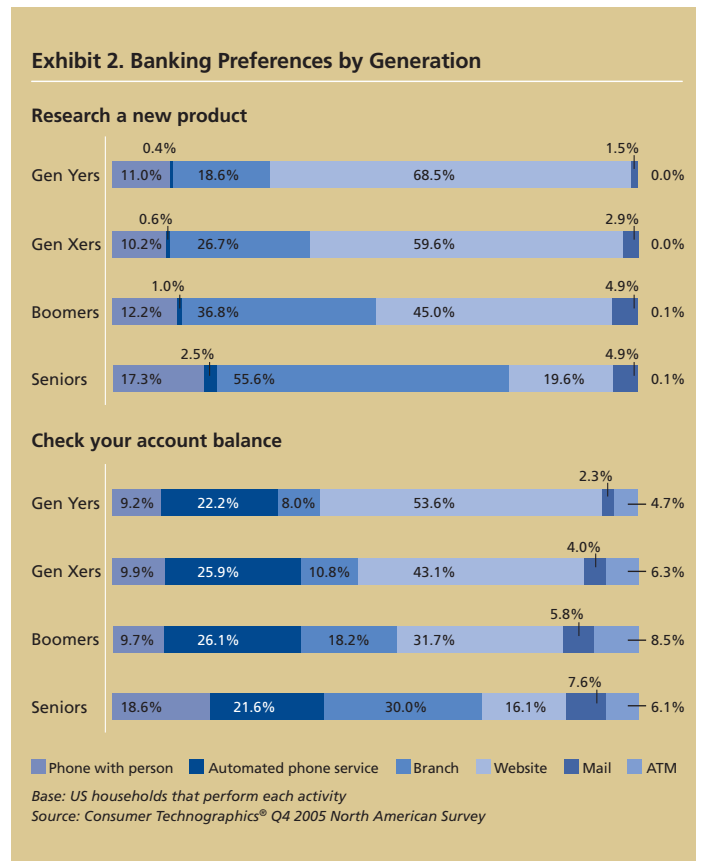
Following the period of lackluster growth that plagued the early 2000s, recent economic improvement has increased business volumes and the demand for key talent across the banking and securities industries. Despite contributions from the global workforce through offshoring and immigration, retail banks will likely be challenged to find adequate numbers of staff to effectively compete. Many had underinvested in their workforces due to previous cutbacks, and now possess insufficient employment training and programs.⁶ This could hurt the industry’s perception among Gen-Yers, who generally value opportunity and flexibility. Moreover, in many cases, previous restructuring and downsizing had diminished critical levels of talent. According to a Deloitte Consulting LLP analysis, between 2004 and 2014, banks will need to fill almost one million teller positions, as well as thousands of additional positions for customer service representatives, loan officers, and loan counselors.

It is worthy to note that at several major securities firms, improving business trends have resulted in an almost 25% expansion of undergraduate hiring in the last three years. In fact, many such institutions are now bypassing MBAs for cheaper, younger Gen-Y recruits.⁷

Changing Customer Demographics

At approximately 75 million, the population of Gen-Yers is the largest after Baby Boomers (~80 million).⁸ This is significant, because it signals their growing importance not just as employees, but as customers.

It is widely believed that the Gen-Y customer group will eventually transform the delivery of financial services. Supporting this opinion are results from a 2005 survey by Consumer Technographics, which demonstrate the strong influence Gen-Y’s tech-savvy bent



has on their banking preferences (see exhibit 2). As these youngsters increase their wealth and assets, business will likely accrue to those banks and securities firms that focus effort on identifying, understanding, and addressing their preferred methods of interaction. To that end, such organizations may be well-served by increasing the employment and influence of this new workforce, thereby gaining valuable multi-generational perspective.

It is useful to note that further compounding their customer influence is the well-documented “boom-boom effect”, which is the strong influence Gen-Y is known to have on their Baby-Boomer parents’ spending habits.⁹

Changing Competitive Landscape

Over time, various marketplace trends have shifted the sources of value and skills demanded in the banking and securities industries. In particular, advances in technology have commoditized various product offerings. This development was highlighted through a 2005 Deloitte Research retail banking loyalty survey, conducted with the Consumer Bankers Association, in which only 3% of Deloitte & Touche USA LLP employees queried cited product offerings as the determining factor for staying with their banks.¹⁰ As a result, banks and securities firms seeking to differentiate themselves must emphasize service quality and competence. At the same time, heightened regulation and globalization has driven the need for greater efficiencies and technical aptitude.

As these demands increase, supply is short. According to the Corporate Executive Board, attrition among U.S. customer-facing retail bank staff is significant, with one in four of these employees needing to be replaced annually. This statistic is particularly concerning, given the strong correlation between employee engagement, or the extent to which such staff commits to an organization, and customer loyalty. In a Deloitte Consulting LLP analysis

with Synovate Symmetrics, one major retail bank found that a 5% increase in employee engagement led to 3% increases in customer loyalty and shareholder value. With a large proportion of front-line functions filled at the entry-level, banks and securities firms need to motivate new talent to remain relevant.

It is likely that over the next five to ten years, the aforementioned macro and industry-level factors will merge to tighten the market for critical incoming banking and securities labor. To be competitive, company leaders will need to understand what the Gen-Y workforce values, and then develop strategies to recruit, engage, and connect this new resource within their broader organizations. By building such competence, these leaders should be able to more effectively address the needs of all their workforce and customer generations.

Targeting Generation Y

In order to fully benefit from the skills and perspectives of the new workforce, companies must incorporate a Gen-Y outlook into their cultures and fabric.

This undertaking can be quite challenging. According to a 2004 study by Deloitte Consulting LLP and the Institute of the Future, Gen-Y values can be very different from that of existing workforce generations (Veterans, Baby Boomers, and Generation X). As a result, banking and securities leaders looking to replenish their talent pipelines must consider the following core Gen-Y values and needs:¹¹

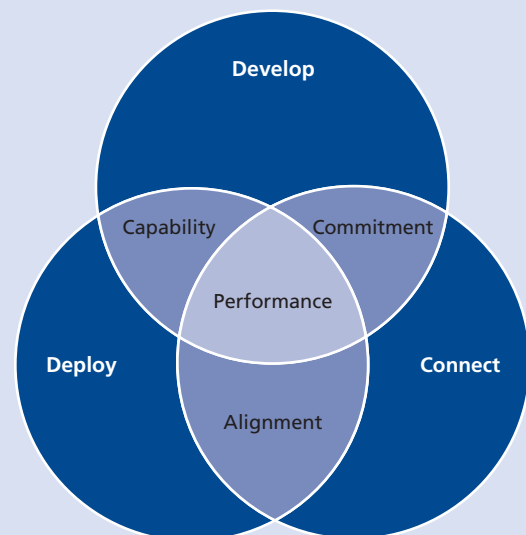
- Long-term career development and multiple experiences within a single organization
- Sense of purpose and meaning in the work
- Availability and access to mentors and other company champions
- Work/life flexibility
- Tech-savvy work environment
- Open social networks that embrace open/honest communication

Exhibit 4 discusses the implications such workplace values can have on employers in these industries, as well as the strategies needed to develop, deploy, and connect these new entrants. The model builds upon Deloitte Consulting LLP's Develop-Deploy-Connect Talent Management framework (see exhibit 3). In general terms, employers can "develop" their workers by providing them with opportunities to learn through experience, "deploy" them by designing effective organizational roles and environments, and "connect" them by creating seamless networking infrastructures.

The tactics presented can offer a useful starting point for understanding, appreciating, and meeting the Gen-Y needs identified. Many organizations in the banking and securities industries have implemented versions of these strategies with varying scope and complexity (see exhibit 5).

These examples demonstrate a corporate willingness to address the Gen-Y talent management challenge. Still, to help sustain relevance in shifting talent and market contexts, banking and securities organizations need to develop comprehensive generational competence. To that end, company leaders should strive to incorporate the following fundamental workplace elements,

Exhibit 3. Develop-Deploy-Connect Model



By "develop," we mean providing the real-life learning employees need to master a job. We don't mean just traditional classroom or online education. As importantly, we mean the "trial-by-fire" experiences that stretch their capabilities and the lessons they learn from peers, mentors, and others.

By "deploy," we mean working with key individuals to (a) identify their deep-rooted skills, interests, and knowledge, (b) find their best fit in the organization, and (c) craft the job design and conditions that help them to perform.

By "connect," we mean providing critical employees with the tools and guidance they need to (a) build networks that enhance individual and organizational performance, and (b) improve the quality of their interactions with others.

The Develop-Deploy-Connect model should be at the core of an organization's talent strategy. By focusing on these three elements, organizations can generate capability, commitment, and alignment in key workforce segments, which in turn improve business performance. When this happens, the attraction and retention of skilled talent largely take care of themselves.

Source: Deloitte Research; For more details on this model, please refer to the 2004 Deloitte Research Study: "It's 2008: Do You Know Where Your Talent Is?"

which generally underlie the aforementioned Gen-Y values and strategies:

- Flexibility
- Balance
- Respect
- Accessibility

As banking and securities institutions adjust their approaches to talent management, they will be challenged to rethink their goals, strategies, and policies. Gen-Y values, while seemingly different than those of their Veteran, Baby Boomer, and Generation X counterparts, may reflect many of the broader marketplace changes – developments such as technological advancement, focus on social responsibility, flexible sourcing, and global connectedness.¹² Moreover, this shifting business environment will likely influence the demands of the entire workforce. To remain relevant, corporate leaders must proactively research and institute the infrastructure for ongoing cultural change. One major retail bank has begun the process by devoting resources to study generational characteristics and improve intergenerational collaboration. Increasingly, such investments will become necessary ingredients for lasting success. Further, leaders will need to communicate their workplace values through their company expertise, culture, and positioning.

Exhibit 4. How to Attract and Engage Generation Y

Gen-Y Needs/Wants	Implications for Employers
Long-term career development and multiple experiences within a single organization	<ul style="list-style-type: none"> • Create personal development plans (PDPs) • Align PDPs with organizational roles and goals • Enable career mobility to allow individuals multiple experiences • Chart clear and transparent career paths • Provide transparency around available positions • Invest in training and developing the workforce • Ensure that the workplace is open to the application of skills developed • Cultivate strong social networks
Sense of purpose and meaning in the work	<ul style="list-style-type: none"> • Enable individuals to find what is meaningful to them • Create an organization that allows individuals to pursue these higher-purpose goals in an effective and productive way • Define and communicate visions around which people can rally • Cultivate an environment of hope and possibility • Help people focus on their strengths
Availability and access to mentors and other company champions	<ul style="list-style-type: none"> • Offer formal and informal mentoring approaches that are aligned with strategic aims • Engage Gen Y-ers during their education and early in their careers
Work/life flexibility	<ul style="list-style-type: none"> • Encourage Gen Y-ers' input • Offer work arrangements and benefits programs that align individual and organizational needs in flexible ways
Tech-savvy work environment	<ul style="list-style-type: none"> • Employ online recruiting tools • Offer multiple communication platform options • Offer gaming simulations as a learning tool
Open social networks that embrace open/honest communication	<ul style="list-style-type: none"> • Balance hierarchy and organizational agility • Communicate corporate goals clearly and transparently (i.e., no corporate-speak) • Institute channels for employee feedback on corporate goals • Design office space in a flexible way that reflects how Gen Y-ers work • Develop social infrastructure to share ideas • Reduce geographic barriers; develop channels to communicate globally in a seamless way

Develop-Deploy-Connect Talent Management Framework

- Enable Gen-Y entrants to experiment and take risks as they figure out their niche within the organization. Help clarify their vision of which skills will serve them well in the future (Develop).
- Tailor work “contracts” in ways that fulfill individuals’ unique needs while still affording them the flexibility that they need to do their jobs well (Deploy)
- Enable Gen-Y to foster the networks that they need to succeed and guide them on cultivating healthy/productive relationships within those networks (Connect)

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- Provide employees with the infrastructure to determine what motivates them (Develop)
 - Align organization roles with employee interests/passions (Deploy)
 - Create feedback mechanisms that link employee contributions to larger organizational goals (Connect)

Create comprehensive mentoring programs that allow Gen-Y entrants to:

- Learn technical and personal/relational capabilities (Develop)
- Learn about their strengths and about new career opportunities (Deploy)
- Foster commitment to the organization and their roles within it (Connect)

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- Design flexible balanced learning programs that stretch employee capabilities (Develop)
 - Create mechanisms to align organization roles with employee needs and expectations in a productive way (Deploy)
 - Facilitate flexible work arrangements that accommodate employees’ personal circumstances and working styles (Connect)

Leverage the technology with which Gen-Y is so comfortable by:

- Providing learning through gaming scenarios/solutions, online interaction, etc. (Develop)
- Utilizing internal/external online recruiting (e.g., electronic job boards that provide transparency around available opportunities) (Deploy)
- Leveraging electronic interaction technologies that facilitate broad and rich conversations (Connect)

Create social infrastructures that enable employees to develop strategic and intentional networks. Such structures should allow Gen-Yers the interaction to:

- Learn about their organizational roles/responsibilities (Develop)
- Learn about new job/project opportunities (Deploy)
- Foster relationships to help them succeed (Connect)

Fundamental Gen-Y Values

- Flexibility
- Balance
- Respect
- Accessibility

Exhibit 5. Examples of Talent Management Strategy

Gen-Y Needs/Wants

Representative Strategies at U.S. Banks and Securities Firms

Long-term career development and multiple experiences within a single organization

- A regional retail bank has created a new employment category – “Business Banking” – that combines several functional banking roles, specifically: financial research/analysis, accounting, commercial transaction management, and sales. Such comprehensive responsibility offers employees the opportunity to develop and deploy multiple competencies within a single organization. Further, it allows them to diversify and strengthen their networks throughout the organization.
- A large retail bank uses a practice called “forward hiring” to anticipate potential job vacancies and fill the positions before they open. This strategy can strengthen the networks between incoming and outgoing staff, thereby improving employee deployment.
- A large securities firm created an internal incubator to give valued non-traders opportunities to test their trading skills. This type of simulation tool appeals to Gen-Y’s preferred experiential-style of learning.
- A large securities firm provides the top 3% of its operations and technology staff with additional networking, training, and development.
- Several large retail banks have instituted leadership rotational programs to improve exposure for high-potential junior employees.
- Several large securities firms have increased the training and scope of responsibility for incoming banking analysts.

Sense of purpose and meaning in the work

- A large retail bank offers its top-performers company-backed non-profit assignments. This program provides employees with a broader sense of purpose.
- Several retail banks have formed “employee morale” or “culture” committees that include employees from different divisions and levels. This approach provides company staff with a voice into company vision and culture, thereby encouraging an environment of collective responsibility.

Availability and access to mentors and other company champions

- A large retail bank matches new trainees with high-performing seasoned business bankers through mentoring programs. Such opportunities allow incoming talent to expand their knowledge and networks, and curtail the loss of institutional knowledge as older bankers retire.
- A regional retail bank offers training on how to coach incoming talent and manage change. This helps the company develop its generational competence toolkit.
- A large securities firm offers internships to college freshmen, engaging potential Gen-Y employees at the earliest formative stages of their careers.

Work/life flexibility

- Several large securities firms enable virtual work arrangements, such as telecommuting. They also provide flexible health and family benefits including health club memberships and on-site daycare.
- Several large securities firms offer choice in supplementary rewards programs, such as annual incentive plans, deferred compensation, profit-sharing, stock options, recruiting incentives, etc.

Tech-savvy work environment

- Several large banks and securities firms employ online recruiting tools.
- Several large banks and securities firms institute varied mediums for electronic communication, such as e-mail, instant messaging, and internal blogs.

Open social networks that embrace open/honest communication

- A large retail bank brings together employees identified with leadership potential into communities. Such networking infrastructure enables valued junior employees to collaborate and have far-reaching impact early in their careers.

Branding for Generation Y

In order to attract and motivate talent in an increasingly supply-constrained context, executives in banking and securities must establish and market their firms' reputations. This process, known as employer branding, extends well-beyond traditional outward-facing advertising. Instead, employers must communicate consistently, through their actions and offerings, a commitment to develop, deploy, and connect their workforces. This is especially critical to engaging Gen-Yers, who tend to use their networks to uncover diverse sources of information and then form their own opinions.

Following is a model for employer brand (see exhibit 6), which was adapted from research by Peter Sheahan, a Generation Y subject matter specialist. The graphic serves as an iceberg metaphor with name at the tip. While a company's name, or logo, represents the smallest volume of the structure, it is the most visible portion. In effect, it encompasses all the perceptions and practices below the water's surface, specifically corporate expertise, style, and positioning.

As noted, Generation Y can be a discerning "consumer" of the work experience. This group tends to value substance over labels, so employers must market appropriately. Specifically, they must convey their commitment to develop, deploy, and connect this new talent group by addressing its workplace needs, identified previously. Moreover, to help ensure consistency, they must build into their actions the fundamental values of flexibility, balance, respect, and accessibility. The following section outlines some employer strategies for addressing each of the underlying elements of brand, namely expertise, style, and positioning.

Expertise

This component of employer brand refers to the products and services a company provides. Leaders in the banking and securities industries can demonstrate a commitment to developing, deploying, and connecting the Gen-Y workforce by engaging them in the process of expertise improvement and communication. Specifically, they can assemble cross-divisional teams that span all levels of hierarchy, with a mission to evaluate, strengthen, and market corporate offerings.

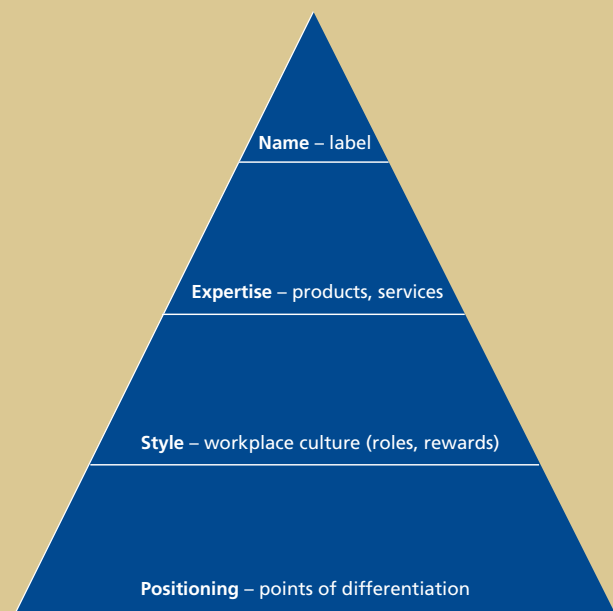
Several major banking and securities firms have started to create infrastructure for organizational collaboration on the elements of firm expertise. These include the formation of committees to study and improve corporate mission and interaction. Some firms have even instituted programs for "reverse mentoring" in which younger workers advise their more experienced counterparts on marketplace trends. Given the connectedness of this new work

force, the engagement and approval of current Gen-Y talent will likely serve as a powerful endorsement of employer brand.

How do these strategies target Gen-Yers?

By instituting multigenerational teams to help improve and communicate corporate expertise, companies provide Gen-Yers the opportunity to expand the scope of their experience within the organization, establish meaningful mentoring relationships with senior leadership, and strengthen their social networks. Moreover, such collaboration can empower Gen-Yers, providing them with a sense of greater purpose and meaning in their work.

Exhibit 6. The Employer Brand



Source adapted from: Sheahan, Peter. *Generation Y – Thriving and Surviving with the Generation Y at Work*. Australia: Hardie Grant Books: 2005, pp. 129-132.

Style

This element of brand includes the roles and rewards programs that together define an organization's culture. Employers in banking and securities can take several approaches to develop, deploy, and connect their workforces through these mechanisms, including:

- Establishing infrastructure for collaboration on critical large-scale projects
- Creating development plans and rotational programs for newer employees
- Enabling flexible work and benefit structures

Many banking and securities institutions have already taken concrete steps to improving their employer brand through their style of operation. For example, several companies have increased internal transfer opportunities and instituted rotational programs to improve employee deployment. One major retail bank has created a specialized leadership training program for its top-performing employees, which includes university training. To help foster commitment and collaboration, many investment banks now offer "ringfenced" prop-trading desks that keep profits in the division. Also popular are flexible compensation and benefits programs as well as virtual work arrangements.

How do these strategies target Gen-Yers?

These tactics help enable employers to address several of the identified Gen-Y workplace needs and values: large-scale project teaming increases access to mentors and improves the social infrastructure for collaboration, training and rotational programs enable long-term career development, and adaptive work and benefit structures improve work/life flexibility. Moreover, by employing appropriate technologies to enable these initiatives, companies appeal to Gen-Yers' "tech-savvy" bent.

Positioning

This element, situated at the base of the branding graphic, refers to company differentiation in the employment marketplace. To truly be an "employer of choice", banking and securities executives must work to distinguish their corporate style and expertise to incoming talent in a manner that develops, deploys, and connects their workforce. To that end, they can conduct multi-generational focus groups of existing and potential employees to help identify the elements that make them unique, and then highlight such features through customized advertising. Moreover, by using a variety of channels for communication, company leaders can better target various talent segments.

It is instructive to note that one major securities firm has significantly increased its younger applicant pool by advertising employment benefits and programs to other workforce stakeholders, such as parents. Further, many organizations now incorporate "high touch", or contact, recruiting through social chat rooms and information sessions. One large retail bank even helps graduating students polish their resumes to create buzz and identify strong prospects.

How do these strategies target Gen-Yers?

Similar to strategies for corporate expertise, engaging Gen-Yers in the positioning process can enable them to expand their experiences and networks, and to develop a greater sense of purpose in their work.

Branding, as represented by name and established through corporate expertise, culture, and positioning, can enable employers to demonstrate their commitment to developing, deploying and connecting their workforces. By addressing the specific workplace needs identified previously, as well as their underlying elements of flexibility, balance, respect, and accessibility, banking and securities leaders can better attract and engage Gen-Y and all their workforce segments.

Conclusion

A confluence of factors will likely create shortages of incoming Gen-Yers at the exact time that banking and securities institutions need such talent to remain relevant. Leaders in these industries must, therefore, rethink their approaches to attracting, engaging, and marketing to their people. To that end, they should evaluate their current talent management agendas against the identified Gen-Y values and needs. Such analysis may then serve as input to a generational change plan, or roadmap, to better develop, deploy, and connect all the workforce generations.

The strategies provided in this study can serve as some of the ingredients to cultural change. Still, to have enduring effect, companies must work to adopt the spirit underlying the letter. Overall generational competence includes, at its foundation, the values of flexibility, balance, respect, and accessibility. As company leaders strive to address Gen-Y and to connect this group with their older staff, they may discover different sub-cultures of generational experience with varied economic, cultural, and demographic roots. While the tactics to address these differences extends beyond the scope of this study, incorporating the aforementioned principles should enable leaders to build needed agility into their talent functions. This, in turn, will sustain their relevance across shifting contexts.

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A Deloitte Research Viewpoint

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