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Appendix One

Classification of Financial Market activity: An explanation of Fabozzi et al's (2002) summary classification of the Financial Markets.

The first two classifications are the 'nature' and 'maturity' of financial claims. That is the underlying financial asset class ie foreign exchange, commodity, interest rate, credit/debt or equity, and whether it is a transaction that has a short or long term application ie the maturity of money market transactions are often defined as being within one year of their execution while capital markets transactions are for periods of greater than one year from their date of execution.

In terms of the second two classifications, 'delivery' and 'organisational structure'; the underlying traded markets for foreign exchange, commodities, interest rates, credit/debt and equity allow market participants to trade for immediate exchange in the 'spot' markets, or to fix prices for future delivery in the 'forward' markets; and, trading may take place by auction, directly with another party or through an intermediary such as an exchange or broker.

The 'underlying' markets classification differentiates between trading activity in 'cash markets' and 'derivative' product markets. Cash markets refer to transactions which involve the delivery of the asset being traded, while derivative product markets use independently determined prices or indexes to allow the trading and hedging of risk that does not require delivery of the underlying asset.

Fabozzi et al's (2002) final classification of the financial markets is between the 'primary' and 'secondary' markets. Primary market activity involves the distribution to investors of newly issued debt or equity securities by supranational, government, quasi government, financial institution and corporate participants in the financial markets. Secondary market activity involves the trading of assets that no longer fall within a market's 'new issue' categorisation.

Appendix Two

Investment banks and commercial banks

Augar's bank typology (2002) is noted below as this was relevant during the course of the research undertaken for this thesis although the 2008 Financial Crises has rewritten the competitive landscape (Mullin, 2008. The Economist, 2008e).

- **merchant banking**, traditionally describes the activities of institutions in the UK market that carry out a variety of financial services, including the: acceptance of bills of exchange, the issue and placing of loans and securities, portfolio and unit trust management, foreign exchange dealing and some banking services. Merchant banks advise companies on mergers and other financial matters. The term 'merchant banks' is now giving way to 'investment banks' as their activities are absorbed into large global concerns;
- **investment banks**, are financial intermediaries that advise corporates, governments and investors on financial transactions including the issue and trading of securities. 'Corporate finance' is another term given to the provision of advice regarding strategic matters and the associated impact on financing requirements; finally
- **commercial banks**, are privately owned banks otherwise known as clearing banks in the UK, national and state banks as well as joint-stock banks in the US and credit banks in Western Europe. They are defined by Fabozzi et al (2002) as financial institutions that accept deposits and then may use the proceeds of those deposits to make loans.

Appendix Three

Institution rankings

- League tables that show the debt and equity underwriting market positions of all major market participants and league tables that show the market rankings for merger and acquisition activity, League Table 1.1 to League Table 1.8;
- Tables that show asset size, market capitalisation and credit ratings for major financial institutions, League Table 2.1 and League Table 2.2; and
- Tables that show underwriting, trading and advisory rankings, League Table 3.1 to League Table 3.3

League Table 1.1: International Bond Underwriting
(source: Bloomberg 17 April 2003)

| | | 2003* | 2002 | 2001 | 2000 | 1999 |
|--------------------|-------------------|-------|------|------|------|------|
| 1 | Citigroup | 1 | 1 | 1 | 3 | 4 |
| 2 | Deutsche Bank | 2 | 2 | 2 | 2 | 3 |
| 3 | Morgan Stanley | 3 | 4 | 5 | 4 | 2 |
| 4 | JP Morgan | 4 | 3 | 3 | 6 | 9** |
| 5 | CSFB | 5 | 5 | 6 | 8 | 7 |
| 6 | Merrill Lynch | 6 | 7 | 4 | 1 | 1 |
| 7 | Barclays Capital | 7 | 10 | 10 | 11 | 13 |
| 8 | UBS Warburg | 8 | 8 | 7 | 5 | 5 |
| 9 | Goldman Sachs | 9 | 9 | 8 | 7 | 6 |
| 10 | Lehman Brothers | 10 | 6 | 9 | 10 | 11 |
| 11 | ABN Amro | 11 | 12 | 11 | 9 | 10 |
| 12 | HSBC | 12 | 11 | 14 | 13 | 17 |
| 13 | BNP Paribas | 13 | 14 | 13 | 14 | 12 |
| 14 | Dresdner KW | 14 | 13 | 12 | 90 | 123 |
| 15 | Nomura Securities | 15 | 16 | 18 | 17 | 19 |
| 16 | RBS | 16 | 25 | 27 | 30 | 29 |
| 17 | CA Indosuez | 17 | 20 | 24 | 24 | 32 |
| 18 | Bear Stearns | 18 | 19 | 17 | 19 | 16 |
| SG | | 19 | 18 | 20 | 22 | 22 |
| Hypovereinsbank | | 20 | 15 | 15 | 16 | 15 |
| Bank of America | | - | 17 | 16 | 21 | - |
| CDC IXIS | | - | 21 | 23 | 18 | 18 |
| Landesbank Baden-W | | 21 | 22 | 22 | - | - |
| West LB | | 22 | 23 | 21 | - | - |
| Norddeutsche LB GZ | | 23 | - | - | - | - |
| DG Bank | | - | - | - | 20 | 21 |
| ING Group | | - | - | - | 23 | - |
| RBC Dominion | | - | - | - | - | 23 |

* Year to 17 April 2003

** JP Morgan = 9, Chase Manhattan Bank = 20. Merged in 2000

League Table 1.2: Global Equity & Equity Linked Underwriting
(source: Bloomberg 17 April 2003)

| | | 2003* | 2002 | 2001 | 2000 | 1999 |
|----|--|-------|------|------|------|------|
| 1 | Morgan Stanley | 1 | 4 | 4 | 2 | 2 |
| 2 | Goldman Sachs | 2 | 1 | 1 | 1 | 1 |
| 3 | Merrill Lynch | 3 | 3 | 2 | 3 | 2 |
| 4 | Citigroup | 4 | 2 | 3 | 5 | 5 |
| 5 | JP Morgan | 5 | 9 | 9 | 7 | 10** |
| 6 | Nomura Securities | 6 | 10 | 12 | 13 | 12 |
| 7 | UBS Warburg | 7 | 7 | 6 | 9 | 8 |
| 8 | CSFB | 8 | 5 | 5 | 4 | 4 |
| 9 | Daiwa Securities | 9 | 18 | 15 | 16 | 19 |
| 10 | Lehman Brothers | 10 | 8 | 7 | 10 | 14 |
| 11 | CIBC | 11 | 13 | 16 | 21 | 17 |
| 12 | Deutsche Bank | 12 | 6 | 8 | 6 | 6 |
| 13 | ABN Amro | 13 | 11 | 11 | 8 | 7 |
| 14 | BNP Paribas | 14 | 25 | 26 | 24 | 22 |
| 15 | Bank of America | 15 | 14 | 13 | 14 | 20 |
| 16 | Scotia Capital | 16 | 16 | 32 | 61 | 37 |
| 17 | Bear Stearns | 17 | 17 | 20 | 18 | 13 |
| 18 | RBC Capital Markets | 18 | 15 | 19 | - | - |
| | Bank of China | 19 | - | - | - | - |
| | HSBC | 20 | 22 | - | - | - |
| | Cazenove & Co | 21 | 12 | 21 | - | 23 |
| | Sinopac Securities Corp | 22 | - | - | - | - |
| | Friedman Billings Ramsey | 23 | 21 | 23 | - | - |
| | Macquarie Bank | - | 19 | - | - | - |
| | Credit Lyonnais | - | 23 | - | - | - |
| | SG | - | 20 | 10 | 17 | - |
| | Dresdner KW | - | 17 | 17 | 11 | 18 |
| | Banca IMI | - | - | 18 | - | - |
| | JB Were | - | - | 22 | - | - |
| | Fleet Boston | - | - | - | 12 | 15 |
| | China International Corp | - | - | - | 15 | - |
| | ING Group | - | - | - | 19 | 21 |
| | Carnegie | - | - | - | 20 | - |
| | Skandinaviska Enskilda Banken | - | - | - | 22 | - |
| | Banco Santander Central Hispano | - | - | - | 23 | - |
| | DLJ | - | - | - | - | 9*** |
| | Mediobanca | - | - | - | - | 11 |

* Year to 17 April 2003

** JP Morgan = 10, Chase Manhattan Bank = 16. Merged since 2000

*** Merged with CSFB since 1999

League Table 1.3: Financial Deal Advisors, M&A Deals, Europe
 (source: Bloomberg 25 April 2003)

| | | 2003* | 2002 | 2001 | 2000 | 1999 |
|----|--------------------------|-------|------|------|------|------|
| 1 | Goldman Sachs & Co | 1 | 2 | 1 | 1 | 1 |
| 2 | Morgan Stanley | 2 | 1 | 3 | 2 | 2 |
| 3 | Lazard LLC | 3 | 9 | 11 | 4 | 9 |
| 4 | Invercaina Valores SVB | 4 | - | - | - | - |
| 5 | Fortis Bank | 5 | 52 | 29 | 38 | 23 |
| 6 | Merrill Lynch | 6 | 3 | 4 | 7 | 3 |
| 7 | JP Morgan | 7 | 4 | 6 | 6 | 4 |
| 8 | Deutsche Bank | 8 | 8 | 7 | 14 | 7 |
| 9 | Citigroup** | 9 | 6 | 10 | 37 | 33 |
| 10 | Rothschild | 10 | 5 | 9 | 6 | 11 |
| 11 | Lehman Brothers | 11 | 11 | 12 | 13 | 12 |
| 12 | CSFB | 12 | 7 | 6 | 3 | 6 |
| 13 | UBS Warburg | 13 | 10 | 2 | 5 | 5 |
| 14 | Greenhill & Co | 14 | 31 | 18 | 20 | 16 |
| 15 | Drueker & Co | 15 | 116 | 48 | - | - |
| 16 | Carnegie | 16 | 21 | 35 | 36 | 35 |
| 17 | ABN Amro | 17 | 15 | 16 | 11 | 20 |
| 18 | Mediobanca | 18 | 19 | 34 | 24 | 15 |
| 19 | HSBC | 19 | 13 | 25 | 15 | 17 |
| 20 | BNP Paribas | 20 | 12 | 14 | 31 | 13 |
| 21 | Gresham Partners | 21 | 174 | 22 | - | - |
| 22 | Capitalitalia | 22 | 86 | - | - | - |
| 23 | ABG Sundal Collier Assoc | 23 | 208 | 77 | 74 | - |
| 24 | Den Norske Bank | 24 | 48 | 115 | 83 | 123 |
| 25 | Fox Pitt Kelton | 25 | 45 | 71 | 33 | 53 |
| 26 | Price WaterhouseCoopers | 26 | 27 | 31 | - | 34 |
| 27 | Skandinaviska Enskilda | 27 | 40 | 24 | 30 | 31 |
| 28 | Communications Equity | 28 | - | 82 | 58 | - |
| 29 | Dresdner KW | 29 | 14 | 5 | 9 | 10 |
| 30 | CB Richard Ellis | 30 | - | 189 | 121 | 106 |

* Year to 25th April 2003
 ** Merged with Salomon Smith Barney from 2001

| | | | | |
|----------|--------------------------|---------------------|-------------|-------|
| 2003 YTD | Ave. Deal Vol. 2,929.22* | Ave. Deal No. 4.47 | Ave. Rank** | 25/26 |
| 2002 | Ave. Deal Vol. 5,158.38 | Ave. Deal No. 9.93 | Ave. Rank | 29/30 |
| 2001 | Ave. Deal Vol. 5,070.62 | Ave. Deal No. 9.53 | Ave. Rank | 39/40 |
| 2000 | Ave. Deal Vol. 13,029.55 | Ave. Deal No. 12.42 | Ave. Rank | 23/24 |
| 1999 | Ave. Deal Vol. 22,951.47 | Ave. Deal No. 13.14 | Ave. Rank | 7/8 |

* (in USD million)
 ** Rankings with deal volumes that fall either side of the Ave. Deal Vol.

League Table 1.4: Financial Deal Advisors, M&A Deals, Europe
(source: Bloomberg 25 April 2003)

M&A firms in the years deal 'Top 30' for 1999 to 2003 YTD

| | 2003* | 2002 | 2001 | 2000 | 1999 |
|--------------------------|-------|------|------|------|------|
| Credit Agricole Indosuez | - | 16 | 50 | - | 14 |
| Cazenove & Co | 33 | 17 | 17 | 12 | 51 |
| Keefe Bruyette & Woods | - | 18 | - | 69 | - |
| Rhotayn Assoc | - | 20 | - | - | - |
| Bank of America | - | 22 | 54 | 50 | 71 |
| ING Group | 32 | 23 | 26 | 17 | 21 |
| Societe Generale | - | 24 | 13 | 18 | 22 |
| Mandatum Bank | - | 25 | 94 | 155 | 60 |
| KPMG | 35 | 26 | 32 | 19 | - |
| IBI Corporate Finance | - | 28 | 194 | - | 75 |
| Deloitte Touch Thomatsu | - | 29 | 20 | 46 | 64 |
| Rhone Group | - | 30 | - | - | - |
| Sal Openheim | - | 39 | 15 | 48 | 52 |
| Gleacher | - | 131 | 18 | - | 96 |
| Aurther Anderson | - | - | 19 | 25 | 81 |
| Mizuho Financial | - | 100 | 23 | - | - |
| Nordea | 62 | 38 | 27 | 28 | 105 |
| Ernst & Young | - | 63 | 28 | 82 | 84 |
| Nomura Securities | 52 | 34 | 30 | 51 | 93 |
| Bear Stearns | 40 | 53 | 33 | 16 | 24 |
| West LB | 68 | 65 | 39 | 32 | 40 |
| Salomon Smith Barney** | - | - | 10 | 8 | |
| Dresdner KB*** | - | - | - | 61 | 67 |
| Noble Grossart | 41 | 125 | 100 | - | 18 |
| Banca IMI | - | 37 | 75 | 167 | 19 |

* Year to 25th April 2003

** Merged with Citigroup from 2001

*** Merged with Wasserstein from 2001

League Table 1.5: Financial Deal Advisors, M&A Deals, Europe
 (source: Bloomberg 25 April 2003)

Institutions ranked for Debt and/or Equity Underwriting but NOT ranked for European M&A 1999 to 2003 YTD

| | 2003* | 2002 | 2001 | 2000 | 1999 |
|-------------------------|-------|------|------|------|------|
| Banco Santander Central | 39 | 42 | 42 | 27 | 17 |
| RBC Capital Markets | 48 | 41 | 79 | - | 25 |
| Hypovereinsbank | 66 | - | 68 | - | - |
| CIBC | - | 32 | - | - | 46 |
| BMO Nesbitt Burns | - | - | 70 | - | - |
| US Bancorp | - | - | 84 | 23 | 72 |
| Scotia Capital | - | - | 90 | 66 | 63 |
| Wachovia | - | - | 181 | 206 | - |
| TD Securities | - | - | - | 29 | - |
| FleetBoston | - | - | - | 136 | 57 |
| Caboto** | - | - | - | - | 43 |
| Morgan Keegan & Co | - | - | - | - | 119 |
| Barclays Capital | - | - | - | - | - |
| RBS | - | - | - | - | - |

* Year to 25th April 2003
 ** Merged with Bank Intesa from 2000

League Table 1.6: Financial Deal Advisors, M&A Deals, US
 (source: Bloomberg 25 April 2003)

| | | 2003* | 2002 | 2001 | 2000 | 1999 |
|----|------------------------|-------|------|------|------|------|
| 1 | Merrill Lynch | 1 | 7 | 3 | 5 | 2 |
| 2 | Goldman Sachs | 2 | 1 | 1 | 2 | 1 |
| 3 | JP Morgan | 3 | 8 | 5 | 6 | 5 |
| 4 | Morgan Stanley | 4 | 5 | 2 | 1 | 3 |
| 5 | Deutsche Bank | 5 | 11 | 7 | 14 | 11 |
| 6 | CSFB | 6 | 2 | 4 | 3 | 4 |
| 7 | Citigroup** | 7 | 3 | 6 | 56 | 24 |
| 8 | Lehman Brothers | 8 | 9 | 8 | 7 | 7 |
| 9 | Lazard | 9 | 4 | 11 | 10 | 9 |
| 10 | Bear Stearns | 10 | 6 | 12 | 12 | 6 |
| 11 | Rothschild | 11 | 17 | 17 | 17 | 19 |
| 12 | Greenhill & Co | 12 | 34 | 16 | 25 | 14 |
| 13 | Drueker & Co | 13 | - | - | - | - |
| 14 | UBS Warburg | 14 | 10 | 10 | 8 | 12 |
| 15 | William Blair & Co | 15 | 73 | 33 | 73 | 39 |
| 16 | Keefe Bruyette & Woods | 16 | 15 | - | 38 | 29 |
| 17 | Bank of America | 17 | 12 | 14 | 11 | 21 |
| 18 | Dresdner KW | 18 | 18 | 13 | 9 | 10 |
| 19 | ABN Amro | 19 | 19 | - | 19 | 22 |
| 20 | Morgan Keegan & Co | 20 | 84 | 73 | 46 | 116 |
| 21 | Macquarie Bank | 21 | 60 | - | 61 | 73 |
| 22 | Nomura Securities | 22 | 36 | 99 | 45 | - |
| 23 | Societe Generale | 23 | 46 | - | 28 | 27 |
| 24 | TD Securities | 24 | 54 | 31 | 71 | 40 |
| 25 | Sandler O'Neill | 25 | 32 | 22 | 41 | 44 |
| 26 | RBC Capital Markets | 26 | 38 | - | 36 | 23 |
| 27 | BMO Nesbitt Burns | 27 | 25 | 18 | 48 | 42 |
| 28 | Stephens Inc | 28 | 14 | - | 33 | 70 |
| 29 | CIBC | 29 | 20 | 15 | 15 | 17 |
| 30 | HSBC | 30 | 13 | 39 | 37 | 51 |

* Year to 25th April 2003

** Merged with Salomon Smith Barney from 2001

| | | | | |
|----------|--------------------------|---------------------|-------------|-------|
| 2003 YTD | Ave. Deal Vol. 2,223.44* | Ave. Deal No. 4.97 | Ave. Rank** | 17/18 |
| 2002 | Ave. Deal Vol. 4,481.07 | Ave. Deal No. 8.62 | Ave. Rank | 26/27 |
| 2001 | Ave. Deal Vol. 8,004.74 | Ave. Deal No. 9.20 | Ave. Rank | 18/19 |
| 2000 | Ave. Deal Vol. 12,615.11 | Ave. Deal No. 12.39 | Ave. Rank | 9/10 |
| 1999 | Ave. Deal Vol. 15,274.04 | Ave. Deal No. 14.02 | Ave. Rank | 9/10 |

* (in USD million)

** Rankings with deal volumes that fall either side of the Ave. Deal Vol.

League Table 1.7: Financial Deal Advisors, M&A Deals, US
(source: Bloomberg 25 April 2003)

M&A firms in the years deal 'Top 30' for 1999 to 2003 YTD

| | 2003* | 2002 | 2001 | 2000 | 1999 |
|---------------------------------|-------|------|------|------|------|
| Rohatyn Assoc | - | 16 | - | - | - |
| BNP Paribas | 49 | 21 | - | 53 | 46 |
| Deloitte Touche | 64 | 22 | 32 | 138 | 149 |
| ING Group | 31 | 23 | 118 | 26 | 28 |
| Houlihan Lokey Howard and Zukin | 37 | 24 | - | 54 | 47 |
| Rhone Capital Group | - | 26 | 47 | - | 87 |
| IBI Corporate Finance | - | 27 | - | - | - |
| Merrion Stockbrokers | - | 28 | - | - | - |
| Allen & Co | 110 | 29 | - | 39 | 13 |
| KPMG | 54 | 30 | 29 | 31 | 26 |
| Quadrangle Group | - | - | 9 | - | - |
| Robertson Stephens | - | - | 19 | 20 | 32 |
| National Bank Financial | 81 | - | 20 | - | 186 |
| Broadview International | 39 | - | 21 | 16 | 25 |
| Scotia Capital | - | 64 | 23 | 87 | 66 |
| Aurthur Anderson | - | 107 | 24 | 89 | 146 |
| Pricewaterhouse Coopers | - | 42 | 25 | 40 | 34 |
| Wachovai | 52 | - | 26 | 50 | 58 |
| Waller Capital | 42 | - | 27 | 83 | 41 |
| Sonnenschein Nath & Posenthal | - | - | 28 | - | - |
| RBC Dain Rauscher | 46 | - | 30 | 55 | 48 |
| Salomon Smith Barney* | - | - | - | 4 | 6 |
| Thomas Weisal & Ptrs | 44 | - | - | 13 | 35 |
| Blackstone Group | - | 59 | - | 18 | 33 |
| US Bankcorp | 38 | 56 | - | 21 | 37 |
| Simmons First National | - | 128 | 134 | 22 | 74 |
| Cazenove | - | 94 | 159 | 23 | 77 |
| Evercore Ptrs | - | - | 116 | 24 | 16 |
| Gleacher Ptrs | - | 49 | 38 | 27 | 91 |
| Putnam Lovell Secs | - | 69 | 54 | 29 | 55 |
| Prudential Secs | - | - | 155 | 30 | 30 |
| FleetBoston | - | 186 | - | 146 | 15 |
| Skandineviska Enskilda | 41 | 67 | 52 | 137 | 19 |
| Daniels & Assoc | 96 | 68 | - | 32 | 20 |

* Year to 25th April 2003

** Merged with Citigroup from 2001

League Table 1.8: Financial Deal Advisors, M&A Deals, US
 (source: Bloomberg 25 April 2003)

Institutions ranked for Debt and/or Equity Underwriting and also those ranked for European M&A but NOT ranked in the 'Top 30' for US M&A 1999 to 2003 YTD

| | 2003* | 2002 | 2001 | 2000 | 1999 |
|-------------------------|-------|------|------|------|------|
| Mediobanca | 38 | - | - | - | - |
| CA Indosuez | 77 | 43 | - | - | - |
| Nordea | - | 50 | - | - | - |
| Daiwa Securities | - | 66 | - | - | - |
| La Salle Bank | - | - | - | - | 110 |
| Countrywide Securities | - | - | - | - | - |
| Banco Santander Central | - | - | - | - | 163 |
| Carnegie | - | 35 | 45 | 116 | 69 |
| Gresham Partners | - | - | - | - | - |
| Fox Pitt Kelton | - | - | 114 | 100 | 53 |
| Barclays Capital | - | - | - | - | - |
| Bank One | - | - | - | - | - |
| CDC IXIS | - | - | - | - | - |
| Hypovereinsbank | - | - | - | - | - |
| RBS | - | - | - | - | - |

* Year to 25th April 2003

League Table 2.1: Banks Ranked by Total Assets over USD 150 billion
(source: Euromoney June 2002)

(USD millions)

| Bank | Country | Total Assets | Market Cap* | Moody's Rating |
|-----------------------------|--------------------|------------------|----------------|----------------|
| 1 Mizuho | Japan | 1,286,529 | 6,151 | A3 |
| 2 Citigroup | US | 1,051,450 | 200,772 | Aa1 |
| 3 SMBC | Japan | 957,695 | 472 | A3 |
| 4 Deutsche Bank | Germany | 813,361 | 24,244 | Aa3 |
| 5 UBS | Swiss | 749,045 | 55,114 | Aa3 |
| 6 BNP Paribas | France | 731,047 | 32,976 | Aa2 |
| 7 BoTM | Japan | 721,577 | 21,410 | A2 |
| 8 UFJ | Japan | 720,984 | 4,315 | A3 |
| 9 JP Morgan Chase | US | 693,575 | 59,438 | Aa2 |
| 10 HSBC | UK | 695,877 | 118,483 | Aa2 |
| 11 Hypovereinsbank | German | 645,013 | 5,678 | Aa3 |
| 12 Bank of America | US | 621,764 | 111,910 | Aa1 |
| 13 CSFB | Swiss | 611,115 | 28,465 | Aa2 |
| 14 Morgan Stanley | US | 553,924 | 48,721 | N/A |
| 15 RBS | UK | 535,287 | 74,683 | Aa1 |
| 16 ABN Amro | Netherlands | 529,144 | 20,479 | Aa2 |
| 17 ICBC | China | 524,194 | N/A | Baa |
| 18 Barclays | UK | 517,676 | 44,470 | Aa1 |
| 19 Credit Agricole | France | 498,961 | 14,253 | Aa1 |
| 20 Norinchukin | Japan | 483,309 | N/A | A1 |
| 21 Societe Generale | France | 453,972 | 21,393 | Aa3 |
| 22 HBoS | UK | 453,267 | 44,154 | Aa2 |
| 23 Dresdner | Germany | 448,820 | 21,507 | Aa2 |
| 24 Commerzbank | Germany | 444,062 | 4,156 | A1 |
| 25 Bank of China | China | 406,118 | 1,355 | Baaa |
| 26 ING Group | Netherlands | 392,725 | 25,199 | Aa2 |
| 27 West LB | Germany | 376,678 | N/A | Aa1 |
| 28 Lloyds TSB | UK | 343,336 | 36,903 | Aaa |
| 29 Merrill Lynch | US | 439,426 | 38,312 | N/A |
| 30 Fortis | Belgium | 334,827 | 17,087 | Aa3 |
| 31 Wachovia | US | 330,452 | 52,001 | Aa3 |
| 32 Goldman Sachs | US | 327,238 | 37,199 | N/A |
| 33 DZ Bank | Germany | 322,963 | N/A | A2 |
| 34 Rabobank | Netherlands | 322,094 | N/A | Aaaa |
| 35 Santander Central | Spain | 317,239 | 30,004 | Aa3 |
| 36 Abbey National | UK | 311,936 | 10,113 | Aa2 |
| 37 Dexia | Belgium | 311,230 | 10,816 | Aa1 |
| 38 Wells Fargo | US | 307,569 | 80,965 | Aa1 |
| 39 China Construction | China | 305,871 | N/A | Baa |
| 40 Groupe Caisses d'Epargne | France | 305,651 | N/A | Aa2 |

N/A – Not available

* as at 4th May 2003

Ranked banks from Appendix One noted in 'bold'

League Table 2.1 cont'd: Banks Ranked by Total Assets over USD 150 billion
(source: Euromoney June 2002)

(USD millions)

| Bank | Country | Total Assets | Market Cap* | Moody's Rating |
|-------------------------------|----------------|----------------|---------------|----------------|
| 41 Bayrische Landesbank | Germany | 288,616 | N/A | Aaa |
| 42 Intesa BCI | Italy | 278,936 | 13,739 | A1 |
| 43 Landesbank Baden-W | Germany | 275,535 | N/A | Aaa |
| 44 Group Credit Mutual | France | 274,092 | N/A | A1 |
| 45 Banco Bilbao | Spain | 273,935 | 24,780 | Aa2 |
| 46 Bank One | US | 268,954 | 41,603 | Aa2 |
| 47 Lehman Brothers | US | 265,213 | 15,713 | N/A |
| 48 Agricultural Bank | China | 263,971 | N/A | Baa |
| 49 Washington Mutual | US | 242,506 | 37,380 | A2 |
| 50 RBC | Canada | 227,618 | 29,975 | Aa2 |
| 51 Nordea Group | Sweden | 213,964 | 15,588 | Aa3 |
| 52 CDC IXIS | France | 204,824 | N/A | Aaa |
| 53 FleetBoston | US | 203,638 | 28,374 | Aa3 |
| 54 KBC | Belgium | 202,030 | N/A | Aa3 |
| 55 Shinkin Central Bank | Japan | 193,102 | 1,219 | A1 |
| 56 Bangesellschaft Berlin | Germany | 192,847 | 1,334 | A2 |
| 57 National Australia Bank | Australia | 184,591 | 3,028 | Aa3 |
| 58 UniCredito Italiano | Italy | 184,590 | 21,938 | AA3 |
| 59 Danske Bank | Denmark | 182,506 | 13,606 | Aa2 |
| 60 Toronto Dominion | Canada | 182,367 | 15,635 | Aa3 |
| 61 CIBC | Canada | 181,136 | 11,861 | Aa3 |
| 62 Bank of Nova Scotia | Canada | 180,205 | 19,716 | Aa3 |
| 63 Credit Lyonnais | France | 179,255 | 2,577 | A1 |
| 64 Nordesdeutsche LB | Germany | 177,032 | N/A | Aa1 |
| 65 Groupe Banques Populaires | France | 171,498 | N/A | Aa3 |
| 66 US Bankcorp | US | 171,390 | N/A | Aa3 |
| 67 Bank of Montreal | Canada | 151,684 | 13,954 | Aa3 |
| 68 San Paolo IMI | Italy | 151,016 | 12,171 | Aa3 |
| 69 Mitsubishi Trust | Japan | 150,046 | 1,575 | A3 |
| 70 DePfa | Germany | 147,310 | 1,575 | Aa3 |

N/A – Not available

* as at 4th May 2003

Ranked banks from Appendix One noted in 'bold'

League Table 2.2: Institutions Ranked in Underwriting Tables with Total Assets less than USD 150 billion or market caps less than USD 10 billion (source: Euromoney June 2002)**

| Bank | Country | Total Assets | Market Cap* | Moody's Rating |
|----------------------|---------|--------------|-------------|----------------|
| AG Edwards & Sons | US | N/A | N/A | N/A |
| Bear Stearns | US | 185,627 | 9,958 | N/A |
| Cazenove & Co | UK | N/A | N/A | N/A |
| DG Bank | Germany | 72,078 | N/A | Aaa |
| FTN Financial | US | N/A | N/A | N/A |
| Jeffries & Co | US | N/A | N/A | N/A |
| Landesbank NRW | Germany | N/A | N/A | N/A |
| La Salle Bank | US | N/A | N/A | N/A |
| Morgan Keegan | US | N/A | N/A | N/A |
| Needham & Co | US | N/A | N/A | N/A |
| Nomura Securities | Japan | 135,727 | 20,229 | N/A |
| Thomas Weisel & Ptrs | US | N/A | N/A | N/A |
| William Blair & Co | US | N/A | N/A | N/A |

N/A – Not available
 * as at 4th May 2003
 ** top 20 performer

League Table 3.1: Institutions Ranked for Underwriting
(source: Euromoney January 2003)

| Institution | '02 | Country | Overall | Bonds | MTN's | ECP | Equity |
|------------------------|-----|-------------|---------------|---------------|--------------|--------------|---------------|
| <i>Weighting</i> | | | <i>100.00</i> | <i>100.00</i> | <i>25.00</i> | <i>25.00</i> | <i>100.00</i> |
| 1 Citigroup | 2 | US | 100.0 | 74.41 | 3.47 | 10.42 | 57.93 |
| 2 Deutsche Bank | 1 | Germany | 77.42 | 55.63 | 9.56 | 11.25 | 76.84 |
| 3 UBS | 7 | Switzerland | 81.72 | 47.46 | 3.38 | 5.83 | 66.54 |
| 4 Goldman Sachs | 4 | US | 65.59 | 25.06 | 2.99 | 12.50 | 76.16 |
| 5 Merrill Lynch | 3 | US | 52.69 | 50.37 | 8.79 | 2.08 | 55.00 |
| 6 JP Morgan Chase | 6 | US | 49.46 | 45.17 | 2.31 | 5.00 | 26.97 |
| 7 MSDW | 5 | US | 37.63 | 36.88 | 6.15 | 0.00 | 43.58 |
| 8 CSFB | 8 | Switzerland | 29.03 | 35.55 | 0.77 | 1.67 | 39.92 |
| 9 Barclays Capital | 9 | UK | 32.26 | 26.03 | 1.32 | 11.25 | 13.37 |
| 10 ABN Amro | 10 | Netherlands | 26.88 | 16.95 | 1.78 | 4.17 | 28.17 |
| 11 HSBC | 15 | UK | 33.33 | 18.69 | 1.57 | 0.00 | 12.83 |
| 12 Lehman Brothers | 11 | US | 22.58 | 15.27 | 7.15 | 0.00 | 13.96 |
| 13 BNP Paribas | 12 | France | 24.73 | 17.66 | 1.78 | 0.00 | 6.56 |
| 14 Societe Generale | 17 | France | 15.05 | 11.26 | 0.00 | 0.00 | 22.28 |
| 15 Nomura Securities | 13 | Japan | 9.68 | 19.48 | 0.11 | 2.50 | 12.47 |
| 16 Mizuho | 16 | Japan | 7.53 | 14.98 | 0.07 | 0.00 | 1.74 |
| 17 CA Indosuez | - | France | 7.53 | 2.12 | 0.08 | 0.00 | 9.12 |
| 18 Nordea | 19 | Finland | 7.53 | 2.21 | 0.00 | 0.42 | 7.44 |
| 19 San Paulo IMI | - | Italy | 6.45 | 3.36 | 0.33 | 0.00 | 6.67 |
| 20 Dresdner KW | 14 | Germany | 5.38 | 7.54 | 0.30 | 0.00 | 1.72 |
| 21 RBS | 18 | UK | 2.15 | 4.85 | 0.23 | 2.50 | 5.08 |
| 22 Daiwa | - | Japan | 4.30 | 7.85 | 0.08 | 0.00 | 2.42 |
| 23 UniCredito Italiano | - | Italy | 6.45 | 4.38 | 0.08 | 0.00 | 2.07 |
| 24 Cazenove & Co | - | UK | 0.00 | 0.00 | 0.00 | 0.00 | 12.40 |

From Euromoney's Dealogic databases

League Table 3.2: Institutions Ranked for Trading
 (source: Euromoney January 2003)

| Institution | '02 | Country | MTN's | ECP | FX |
|--------------------------|-----|-------------|--------------|--------------|--------------|
| <i>Weighting</i> | | | <i>25.00</i> | <i>25.00</i> | <i>50.00</i> |
| 1 Citigroup | 1 | US | 21.28 | 16.70 | 50.00 |
| 2 UBS | 6 | Switzerland | 12.21 | 7.71 | 49.06 |
| 3 Deutsche Bank | 2 | Germany | 12.50 | 12.50 | 43.82 |
| 4 Goldman Sachs | 4 | US | 7.79 | 17.02 | 29.95 |
| 5 JP Morgan Chase | 3 | US | 9.73 | 14.24 | 26.23 |
| 6 CSFB | 5 | Switzerland | 5.80 | 6.99 | 20.68 |
| 7 MSDW | 8 | US | 11.27 | 3.13 | 16.56 |
| 8 Barclays Capital | 7 | UK | 6.67 | 12.46 | 11.68 |
| 9 ABN Amro | 15 | Netherlands | 4.20 | 1.86 | 15.22 |
| 10 Merrill Lynch | 12 | US | 8.25 | 7.18 | 4.92 |
| 11 Lehman Brothers | 16 | US | 6.10 | 5.79 | 5.15 |
| 12 HSBC | 11 | UK | 4.57 | 0.00 | 10.61 |
| 13 BNP Paribas | 14 | France | 5.09 | 0.00 | 9.00 |
| 14 Bank of America | 9 | US | 1.11 | 1.79 | 10.97 |
| 15 RBS | 13 | UK | 0.78 | 1.60 | 10.30 |
| 16 Dresdner KW | - | Germany | 1.62 | 0.80 | 10.03 |
| 16 S-E Banken | - | Sweden | 0.09 | 0.00 | 12.35 |
| 18 RBC | - | Canada | 0.55 | 0.00 | 9.36 |
| 19 Nordea | - | Finland | 0.00 | 0.00 | 7.34 |
| 20 Nomura Securities | - | Japan | 6.54 | 0.76 | 0.00 |
| 21 Bank One | - | US | 0.66 | 0.00 | 6.54 |
| 22 Svenska Handelsbanken | - | Sweden | 0.00 | 0.00 | 6.40 |
| 23 State Street | 10 | US | 0.00 | 0.00 | 5.86 |
| 24 TD Bank | 20 | Canada | 0.23 | 0.00 | 5.51 |
| 25 ING Bank | - | Netherlands | 0.21 | 2.13 | 3.09 |

From Euromoney's Dealogic databases and market surveys

League Table 3.3: Institutions Ranked for Advisory
(source: Euromoney January 2003)

| Institution | '02 | Country | FX | Risk | Credit | M&A |
|-----------------------|-----|-------------|--------------|--------------|--------------|--------------|
| <i>Weighting</i> | | | <i>90.00</i> | <i>90.00</i> | <i>90.00</i> | <i>90.00</i> |
| 1 Citigroup | 2 | US | 74.58 | 55.74 | 53.98 | 55.18 |
| 2 JP Morgan Chase | 4 | US | 39.72 | 69.83 | 3.73 | 54.78 |
| 3 Goldman Sachs | 3 | US | 37.45 | 32.47 | 75.77 | 74.61 |
| 4 UBS | 8 | Switzerland | 62.93 | 71.25 | 52.78 | 30.68 |
| 5 Deutsche Bank | 1 | Germany | 48.68 | 33.72 | 75.83 | 25.32 |
| 6 Merrill Lynch | 6 | US | 5.38 | 17.13 | 78.85 | 49.55 |
| 7 MSDW | 5 | US | 15.42 | 11.44 | 67.52 | 53.15 |
| 8 CSFB | 7 | Switzerland | 21.11 | 14.76 | 67.79 | 38.27 |
| 9 Lehman Brothers | 9 | US | 4.92 | 2.94 | 46.02 | 27.48 |
| 10 BNP Paribas | 11 | France | 9.57 | 13.77 | 49.66 | 5.87 |
| 11 Barclays Capital | 12 | UK | 6.36 | 22.82 | 34.93 | 0.00 |
| 12 Dresdner KW | 10 | German | 16.50 | 3.09 | 36.03 | 7.34 |
| 13 HSBC | 13 | UK | 24.12 | 19.16 | 14.50 | 3.75 |
| 14 ABN Amro | 14 | Netherlands | 18.24 | 15.92 | 19.00 | 6.44 |
| 15 Bear Stearns | 15 | US | 0.29 | 0.00 | 28.40 | 24.72 |
| 16 Bank of America | 19 | US | 16.89 | 6.35 | 9.30 | 6.50 |
| 17 Lazard | 16 | UK | 0.00 | 0.00 | 0.00 | 36.12 |
| 18 Societe Generale | 16 | France | 5.75 | 10.98 | 13.99 | 3.07 |
| 19 ING Bank | - | Netherlands | 1.44 | 0.92 | 19.76 | 4.18 |
| 20 RBS | - | UK | 7.05 | 7.28 | 10.25 | 0.00 |
| 21 Rothschild | 18 | UK | 0.00 | 0.00 | 0.00 | 20.45 |
| 22 Commerzbank | - | Germany | 8.50 | 0.00 | 9.61 | 0.30 |
| 23 CA Indosuez | - | France | 2.64 | 8.05 | 0.00 | 1.59 |
| 24 CIBC | - | Canada | 2.74 | 0.00 | 3.09 | 5.96 |
| 25 Standard Chartered | - | UK | 5.13 | 5.09 | 0.00 | 0.00 |

From Euromoney's market surveys

Appendix Four

Financial markets sector activity

In the UK the importance of financial markets activity is documented by the Department of Trade and Industry (2005) who stated that the UK has the world's largest share in the

- metals market, 95%;
- Eurobond market, 70%;
- foreign equity market, 58%; and,
- derivative product market, 36%.

The Department and Trade and Industry's website also noted that apart from a substantial domestic market in equities and bonds the UK is a major international centre for trading in the Euromarket. More foreign companies are traded on the London Stock Exchange than on any other exchange, with 475 companies listed at the end of 2000, and turnover in these companies in London represented 48% of global turnover in foreign equities in the same year. Finally, they stated that, at 36%, London had the world's largest share of the OTC, over-the-counter ie non exchange traded, derivatives market with a turnover of US\$ 275 billion in 2000 and that the UK captured 31.1% of the global foreign exchange market with a daily turnover of US\$ 504 billion.

America's wider financial-services industry is equally significant accounting for 40% of the country's corporate profits in 2007, up from a mere 10% in the early 1980s, and according to McKinsey the profits posted by all American banks in 2006 were larger than the profits of the global retailing, pharmaceutical and automotive sectors combined (The Economist, 2008a).

Appendix Five

Research instruments

- Study One: Semi structured interviews

- Study Two: Structured interviews

Study One: Semi-structured interviews

Questions for senior human resource professionals in the capital markets and investment banking sector.

- (1) What do you believe the current organisational influence of human resource management is on strategy ?

- (2) What do you believe the current organisational influence of human resource management is on recruitment and selection ?

- (3) What do you believe the current organisational influence of human resource management is on training and development ?

- (4) What do you believe the current organisational influence of human resource management is on compensation and benefits ?

- (5) What do you believe the current organisational influence of human resource management is on performance measurement ?

Study Two: Structured interviews

Questions for senior human resource professionals and senior business line managers in the capital markets and investment banking sector.

The structure, role and influence of the human resource function

A1 What structure for the human resources function does your organisation have ? (tick boxes as relevant)

(a) A shared service centre for admin., with central advisers and business partners ☐

If so, do you have specialist advisers on:

- | | |
|-------------------------|--------------------------|
| Recruitment & selection | <input type="checkbox"/> |
| Learning & development | <input type="checkbox"/> |
| Performance measurement | <input type="checkbox"/> |
| Compensation & benefits | <input type="checkbox"/> |
| Employment law | <input type="checkbox"/> |

Other (please specify)

(b) Integrated human resources department, comprising generalists and business partners (please describe) ☐

(c) Other arrangement (please describe) ☐

A2 Is your most senior human resources manager on any management board ? Yes/No

If Yes, which board(s) ?

If No, why do you think this is and to what extent do you think it matters ?

If No, what is the most senior level at which human resources is represented within the organisation ?

A3 Do you consider that you have the credibility to influence the business at a business planning level ? Yes/No

If **Yes**, in what areas, and how ?

If **Yes**, on a scale of 1-10, how would you rate your influence? □
(with 10 having significant influence and 1 having little influence)

Please describe what drives your rating.

If **No**, why do you think this is and to what extent do you think it matters ?

A4 Which of the following factors do you feel contribute to the credibility of human resources managers as business partners ?

Please rank in order, with 1 as the most important.

- Knowledge within the human resources function of the external competitive environment □
- Knowledge within the human resources function of the internal competitive environment □
- Track record of the senior human resources executive(s) in delivering on their part of business plan execution □
- Business managers' trust in, and personal empathy with, the senior human resources executive(s) □
- Track record of human resources function in delivering human resources services to line managers □
- Availability and use of data to analyse the business impact effectiveness of human resources initiatives, (note: business impact with regards to net revenue and market share, not data that measures the efficiency of the human resources department) □
- Knowledge of human resources practices and procedures □
- Membership of a professional human resources body □
- Academic qualifications □

Would you say the following are important and if so rank in order of importance; accuracy, consistency, meeting commitments, chemistry, confronting appropriately, integrity, thinking outside the box, confidentiality, and listening to, and focusing on, executive problems.

Are there any other factors which are not on the above lists which you believe contribute to the credibility of human resource business partners ?

A5 Is the close involvement of human resource business partners essential for a strategic approach to talent/human capital management ? Yes/No

If **Yes**, why do you think this is true ?

If **No**, why do you think this is not the case ?

A6 Has the role and influence of the human resources function on the business changed over time ? Yes/No

If **Yes**, in what way has this changed ?

If **No**, why do you think this is and to what extent does it matter ?

How would you like to see its role and influence evolve ?

What, in your opinion, needs to happen for this to occur ?

A7 Who is responsible for human resource management ?

Human capital metrics

We define 'human capital metrics' broadly, as the range of measures used by employers to gauge the impact of people-management related interventions. Examples include:

- Checking that bonuses go to upper-quartile performers,
- Measuring the direct and indirect cost of an unfilled post,
- Comparing employee survey findings with business results,
- Assessment of individual asset values of key employees,
- Revenue-compensation ratio,
- Modelling of the internal labour market,
- Calculation of return-on-investment for defined human resources interventions, such as a development programme.

The term human capital metrics covers both qualitative and quantitative measures, and may be applied either discretely to a particular human resources intervention, or broadly across the division or company.

Human capital measures are no longer purely theoretical; they are used by some employers as a core part of business planning. Such measures may also be incorporated into a Balanced Scorecard approach, in which business performance is measured under four perspectives: financial, business process, customer, and learning & development.

B1 Which human capital metrics do you use? (tick boxes as relevant)

- Direct cost to replace senior staff member (eg management time, agency fees) ☐
 - Indirect cost of replacing senior staff member (eg loss in performance during transition) ☐
 - Comparison of bonus payments against individual performance ☐
 - Comparison of bonus payments against team performance ☐
 - Return on investment for defined human resources intervention ☐
 - Employee work climate satisfaction surveys ☐
 - Assessment of individual asset values of key employees ☐
 - Revenue-compensation ratio ☐
 - Modelling of internal labour market ☐
 - Other (please specify) ☐
-
-

B2 Do you use external consultancy's 'human capital measures' ? Yes/No

If **Yes**, please tick the relevant box:

- Saratoga ☐
- Mercer ☐
- Watson Wyatt ☐
- PricewaterhouseCoopers ☐

Other (please specify) _____

Who is accountable for a human resource interventions ?:

- the human resources function ☐
- the human resource business partner ☐
- the business manager(s) ☐

Other (please specify) _____

B3 What happens if a recruitment or development policy does not deliver the expected objectives ?

B4 Does the company produce a formal human capital report, reporting on measures such as those in question B1, above, either for internal or external purposes ? Yes/No

If **Yes**, what does it cover ?

If **Yes**, how is it received/used ?

If **No**, do you plan to introduce one ? **Yes/No**

If **Yes**, why is this being done and what will it cover ?

If **No**, why do you think this is and to what extent does it matter ?

B5 If formal 'human capital metrics' are not used, how is the effectiveness of human resources policies and other people-related investments gauged ?

B6 Does the organisation treat talent management/people management as a strategic/investment matter ? Yes/No

If **Yes**, how is this exemplified ?

B11 Do you use computer based systems to store and access information about your organisation's human resources ?
Yes/No

If **Yes**, which areas ?

- | | |
|-------------------------|--------------------------|
| Recruitment & selection | <input type="checkbox"/> |
| Learning & development | <input type="checkbox"/> |
| Performance measurement | <input type="checkbox"/> |
| Compensation & benefits | <input type="checkbox"/> |

Are they part of one integrated relational database system or different systems ? Please describe them ?

If **No**, why do you think this is and to what extent does it matter ?

B12 What data do you feel is critical to managing the return on investment and business risk associated with managing your organisation's talent portfolio ?

B13 Do you believe that the management information available to you to manage the talent in your organisation is adequate ? Yes/No

If **Yes**, which areas ?

- | | |
|-------------------------|--------------------------|
| Recruitment & selection | <input type="checkbox"/> |
| Learning & development | <input type="checkbox"/> |
| Performance measurement | <input type="checkbox"/> |
| Compensation & benefits | <input type="checkbox"/> |

Please describe why it is adequate in each case ?

If **No**, why do you think this is and to what extent does it matter ?

Appendix Six

Representative transcript quotes

- Study One: *a priori* and emergent
- Study Two
- Respondent codes

Appendix Six: Study One: Roles in human resource management

| Themes – a priori | Code | Representative quotations |
|---|-------|---|
| Shared services/Specialist human resource role exists | SH/SS | <p>"We're probably two and a half years into really evolving the framework. It's very much a partnership between the generalist, the business partner function, and talent management – what used to be leadership and learning ... we want to tie the talent agenda at a corporate level to the business planning process." (B)</p> <p>"we work very closely with divisionally seated HCM professionals and hiring managers because whilst we have an overall firm wide strategy, the divisions then clearly want to have that clearly defined for their own specific needs so we work very closely with the divisions on all aspects of recruiting" (K)</p> <p>"human resources is part of Strategic planning as a division so it would be placed in a division that is called strategic planning so I think that probably gives you an indication that we do touch on significantly. Also it is also informally part of firm management which again gives you a sense of the fact that you know, our sort of, involvement in certain ways is quite critical in the process of both strategic planning and sort of basic operational management." (Q)</p> <p>"We have people in this department, HR, who are sort of learning and development or training and development and they support the revenue areas, the infrastructure, i.e. operations, technology etc have their own in-house learning and development people so human resources here effectively are only concerned with the revenue earners so the securities business, private wealth management and investment management and we are aligned by client which is a relatively small group that they work with a number of clients that they work with" (Q)</p> |

| Themes – a priori | Code | Representative quotations |
|---|------|--|
| Human resource business partner role exists | BP | <p>“The shock troops if you like of the HR effect on strategy come in the form of people who have business partners, that is to say the relationship managers with each of the business. They are a different bunch of people by personality, experience and orientation but, they have begun very clearly to influence the direction of their business by getting involved and intimately involved in them, and becoming part of the management team and setting expectations, setting assumptions and setting plans with the heads of those businesses for what people should be doing ... But it is not institutionalized ... yet. It's more a question of a force of personalities getting that message across or getting inputs in ... and so these small number of people ... have quite a degree of influence, not uniform, because they are a differing standings but it is getting to the point of being improved and they are quite admired and welcomed as members of the business team buy yet they still retain their degree of critical comment and sharpness which would be dulled if they became wholly owned members of the team ... and it is a good influence on the business to have someone in there” (B)</p> <p>“I mean, we're no GE, let's be honest, but I think in general we have a very good reputation and we are included in all the things that I would expect to be, if not more. Another thing that we've recently done, is move the business partners out to sit with the business – so the head of human resources for equity sits on the equity trading floor, and it's had a really positive effect. I know it's optics, a lot of it, but it has helped to push my agenda.” (K)</p> <p>“not all but many, HR would have a seat around the table in the discussion of the rewards and bonuses and compensation for that population that the relationship manager was looking after and have some influence over that as well” (P)</p> |

| Themes – emergent | Code | Representative quotations |
|--|------|--|
| Ultimate responsibility for managing human resources | RI-U | <p>"it becomes a question of what is your definition of HR management? Because I do think that I participate in a strategic agenda setting, but I do that partly or more because I am one of a management team of three that is managing the support services function .. If you mean HR management and you mean me, I think I have a certain degree of inputif you say HR management means my boss, the head of HR for the bank as a whole. He clearly participates in discussions at the managing board level about people strategy and organizational development and leadership development and all of those things. Again that tends to be in the somewhat rarified atmosphere of the managing boards strategy decisions." (A)</p> <p>"a lot, ie there is a lot of influence but need to be careful to distinguish the principle of human resource management becoming more relevant from the human resources function, doing it." (L)</p> <p>"So, you know, that is kind of the way we go about doing things and we actually operate where we don't actually have the power to override a business person's decision. The only power that we have got is the power to influence, so we don't have position power so the function itself doesn't come with the power to do that but individuals throughout the organisations gain the credibility and gained influence and provide advice to a hiring manager." (U)</p> <p>"I don't think we play the part that we should both in terms of identifying managers of the future or leaders of the future and in terms of developing leaders of the future. It just doesn't happen and I think a lot of what happens, happens by luck rather than good management ... I would like to see a situation where the head of HR, the HR director was very much part of that strategic team deciding what was going on ... HR is not a respected function, within the company, whether you are retail or investment and that is the challenge I think that has to be faced." (C)</p> <p>"it is about building partnerships and trying to move away from those transactional type relationships" (K)</p> <p>"I think there are a lot of HR groups that say managing the troops is the job of the line manager and there is a lot of truth in that. I can't disagree with that other than to say most of them there are there because they are good in some form of revenue production or client relationship, they aren't always necessarily the best HR practitioners so we will tend to intercede or get involved perhaps more frequently than other groups because we take the philosophy that if we can help them to get faster resolution and a better resolution then there is a chance that we will get better revenue generation because of that. So we try and put the business hat to that and try to have the conversations that keep us ahead of the curve in terms of ideas rather than being at the back end of the circus after it has gone through town and being an afterthought. And to be honest with you our success really depends on the leader, there are some leaders that want to engage, who want a dialogue who are good at being up front and seeking opinion, there are others than simply put themselves into their box and try to operate independently." (R)</p> |

| Themes - emergent | Code | Representative quotations |
|----------------------|------|--|
| Business Environment | BE | <p>"I don't think we are training and developing people to the overall strategy of the firm ... I think it is reactive to issues that are happening." (C)</p> <p>"I think financial institutions are very much behind what goes on in other sectors. And certainly if you could talk to the pharmaceutical industry and things like that I think HR plays a much more strategic part than it does in the finance industry" (K)</p> <p>"we don't have a robust strategy process like we did in <global FMCG multinational company>, you know we had a particular methodology and everybody followed that protocol and HR's involvement and supply chain was almost institutionalized as part of the process, it is not as well defined here it is much more ad-hoc so I think if we talk about the strategic planning process I think HR is as involved as it possibly can be in view of the business process we have around strategy and planning ... I think in terms of our industry we are probably no better or worse than anybody else relative to other industry sectors I think we are some way behind, in that the business does not have a robust strategy planning process where the involvement of the various constituent parts of the business are kind of well established" (G)</p> <p>"I can say that having the experience in other industry, it is tactical, it is opportunistic and from what I have been told this is the way this industry works, you know things move quickly, the environment changes quickly we need to be flexible, adaptable so it is about flexibility and adaptability that is the key to successes and therefore you cannot embed yourself in long-term strategies which may in some ways limit your ability to move quickly as and when required. Now whether that is kind of fact or fallacy I am not completely sure, my view is that we could do more in the area of strategic planning and sometimes it is probably just an excuse" (G)</p> <p>"traditionally investment banks do not do a lot of strategic planning because one of our watch words is to be very nimble and you know strategic planning like long-term horizons is actually something that you will find a lot of Investment banks almost don't do because they have to be so nimble they have to actually change direction very quickly. So, When we talk about strategic planning what we are normally talking about is a general sense of direction for the next two or three years rather than an automotive company who will be looking five or ten years out." (K)</p> |

Appendix Six: Study One: Roles in human resource management (cont'd)

| Themes - emergent | Code | Representative quotations |
|------------------------------------|------|---|
| Importance of firm human resources | IM | <p>"People management, manpower planning, they (business line managers) just call it strategy. And if their business by default is people, that is, what people mean but don't say. As opposed to a manufacturing industry where their default product is not people but they are the means along the product chain. But in financial services your product is your person so if they are talking strategy that is what they mean but they (business line managers) don't have the language to articulate it." (L)</p> <p>"The producers are the rock stars or the sports stars of this business ... I guess people have seen people being promoted because they have been big producers into management roles when they haven't got a management bone in their body, and other people who have been promoted into that position where they just happen to be great leaders."(N)</p> <p>"The reason why I think it is increasingly more relevant is because it is a truism that people are the only differentiator left and I think there is increasing realization of that. Everything else by and large if you have the money you can copy, capital you can lend, you know, I can't think of anything that isn't capable of cloning, except people."(L)</p> |

Question

Representative quotations

Attitude of the organisation to managing human resources

Is the management of human resources treated as a strategic matter ?

"In the last 18 months/two years he – the CEO – has begun to get very vocal about leadership, people, talent. He was a pretty hard-nosed businessperson before but always knew it was important, but now he's being open and confronting about it. If your top person believes in it, it is going to happen – whether he relies on his human resource function to get it going or another avenue.". (P2)

"Our CEO [is] ... probably one of the most forward-thinking CEOs. He puts so much pressure on human resources to be at the forefront of telling him what the issues are. He's way ahead of his executive committee, who are much more traditional. So it's an interesting tension, almost. He beats me up three times a week, saying: 'Human resources needs to be more in the DNA'. That's one of his favourite things." (S2)

"People management is definitely treated as a strategic matter, because our business is all about people. We've started a few programmes on broad talent management: identifying people; moving them around; providing them training and career opportunities. That's just started over the last couple of years in a formal way. We also historically have put a lot of value on leadership and cultural values: being a good citizen. Someone who doesn't have those attributes doesn't get very far in our firm." (O2)

"The buy-in from the senior leadership around what it is that good quality human resource management can offer has grown hugely. I think it's partly an evolution: the great managers and well-run businesses have done much of this quite naturally and haven't necessarily labelled it good human resource practice." (V2)

| Question | Representative quotations |
|---|---|
| What structure for the human resource function does your organisation have | |
| Human resource business partner role exists | <p>"Until 2001 human resources was just back office. It was somewhere you shouted at someone if your benefits hadn't come through. Since then the bank has been very proactive about developing a business partner role. There's a long long way to go. But it's almost a night and day transformation from being in a backwater to being at the table. You think of the human resource executive at the bank. He spends a lot of time with senior business executives, developing business strategy. That has permeated through into the businesses." (N3)</p> <p>"We wouldn't embark on anything unless we've got a key stakeholder from the business. It's probably then the business partner who is driving it on most things." (H)</p> <p>"We are two-and-a-half years into an evolution here, as regards human resource business partners being involved in business planning. We have hired a McKinsey consultant to work on people-related economic models." (O2)</p> <p>"I expect the HR business partners to get the same daily P/Ls that the line managers get and to know what part of the organisation is making money, where there are pressure points, what the implications are from a people standpoint." (O3)</p> |
| Shared services/Specialist human resource role exists | <p>"You don't want the phone call saying someone hasn't got a visa and they're standing at Heathrow – because you can forget talking about organisational design ... You have to focus on getting the nuts and bolts right and, assuming you've got that working, then you can start to do the added-value stuff." (S2)</p> <p>"If my shared services colleagues mess up on payroll, mess up someone's bonuses, or processing a leaver or a joiner; I might be doing a fantastic job at board level, that can get forgotten immediately if there's the sentiment that you guys can't even pay people." (B)</p> <p>"If it takes them seven days to get an offer letter out, I really don't care about their partnership with me on the strategy." (O3)</p> |

| Question | Representative quotations |
|--|--|
| What structure for the human resource function does your organisation have (cont'd) | |
| Board representation | <p>"It is the first time a human resources director has done that (sit on the credit committee). We are an integrated part of the business, as opposed to a stand-alone function." (S2)</p> <p>"I would like human resources to gain more influence on the governance side, but that comes not by the authority of the function but by credibility, which you have to earn by doing a great job. You have to earn the credibility. It's not given." (V2)</p> <p>"Having someone so senior on the board responsible for this area has helped us." (K)</p> |

| Question | Representative quotations |
|--|---|
| Representation and influence of the human resource function | |
| Who is responsible for human resource management ? | <p>"One of the things I most welcome about the CEO here is that, business managers manage – it's not the job of human resources to do that – certainly they're a partner in helping getting it done. There's a long way to go to establishing a close business partnership and it doesn't just happen because you snap your fingers" (K)</p> <p>"I think the human resource structure and position have competition. COOs can do many aspects of human resources [management]. However a very good, very savvy human resource business partner or generalist should have something useful to say, and should be able to know who is the talent and proffer what to do with talent." (P2)</p> <p>"Well the line should be. ... it should be management of the firm." (Q3)</p> <p>"The CEO's view would be that managers are responsible for managing people." (S2)</p> <p>"All of us are responsible. Managers. Senior management. Human resources." (G3)</p> <p>'It varies. In some cases, it doesn't matter at all; in some cases it matters a huge amount. Clearly when you're engaged in a very large, strategic move like a merger, then human resources actually is involved, but when you're involved in setting up a new trading desk to trade weather derivatives, human resources isn't involved at all – other than in the peripheral matters such as contracts – and maybe it should be' (L3)</p> <p>"So I still think that if the individual can establish a good relationship then HR can influence. But if the relationship isn't there then HR as a function is not seen as a critical part of influencing strategy." (T3)</p> |

| Question | Representative quotations |
|---|--|
| Representation and influence of the human resource function (cont'd) | |
| Is the close involvement of human resource partners essential for a strategic approach to talent/human capital ? (cont'd) | <p>"This individual (business line manager) can take a strategic approach to talent and human capital management. You don't need to help him ... human resource business partners talk as if they are sole guardians of the ability to reach this so-called strategic approach. I don't think so. And actually, if you have smart line managers they could do it." (B)</p> <p>"The head of human resources would take ownership, but both business partners and human resources would be accountable. No-one really says 'it's human resources' responsibility'; I'd like to think that business managers see human resources as their partners." (V2)</p> <p>"No [the contribution of human resources is not essential], because if you've got line managers who are thoughtful about human resources things, they are perfectly capable of coming up with strategic initiatives around human resources. HR is not rocket science. I mean, we'd like to think it is, but it's not. If however you have line managers who are not very people-orientated, then yes you do need to have the involvement of human resources business partner for strategic talent management." (K)</p> <p>"If there is the line team and the head of that business is enlightened, then your human resource function could focused on processes, IT solutions and so on. I see managers who have 'got it' and who wouldn't necessarily need a human resources officer to tell them what to do." (P2)</p> <p>"It is not essential. Personally I dislike most HR business partners. There's a bag of wind created by HR business partners who talk as if they are sole guardians of the ability to reach this so-called strategic approach. I don't think so." (B)</p> <p>"I think so [it is essential]. You could probably come up with a theoretical organisation where it was totally owned and delivered by the line itself, but realistically there are probably not hours in the day, so I think 'yes' has to be the answer to that." (V2)</p> <p>"Yes [human resource function is essential for strategic human resource management]. Because they are the professionals and we don't think correctly without them" (B3)</p> <p>'If you were to say no, then I would really wonder, what's the use of human resources ?' (H3)</p> |

Question

Representative quotations

Representation and influence of the human resource function (cont;d)

Is the close involvement of human resource partners essential for a strategic approach to talent/human capital ? (cont'd)

"I think a good business manager is going to have 85% of what is required. Can a good human resource person add the other 15%? Sure. So should you deal them in? Sure. But 85 is a pretty good score. A poor business manager would need a little more help, but you'd hope you'd have good business managers. They are far closer to the field of play. If the word was useful not essential, I would say yes." (O3)

"It's a good question – would line managers be doing this – treating talent as strategic – anyway, without help from human resources? Because of the lead from the CEO, then in terms of human resources being essential; I would have to say no." (K3)

"If you're sitting in support services the answer is absolutely, yes. If you sit in the investment banking division the answer is probably no. And if you sit in the capital markets division you would probably be half way in between." (K)

"No. The chairman can take a strategic approach to talent and human capital management, you don't need to help him. And actually, if you have smart line managers they could do it." (B)

"Yes. In a perfect world, which we are very far away from, you wouldn't need any support, because business managers were doing this all the time and they thought, instinctively and intuitively about it. But while we're getting to Nirvana, you need someone in the business partner role who can do some thinking and prompting around resource planning; execution of that plan; ensuring that it meets the business objectives." (N2)

"Yes. Until you get human capital understood, really understood, and you've got the processes in place and embedded. Then human resources can stand back and in a sense facilitate it.' In some parts of this business they've already 'got it'." (S2)

"How else would you do it [strategic talent management]? Quality of decisions and execution and process needs close involvement of the human resource team. They help managers understand talent issues." (G)

| Question | Representative quotations |
|--|--|
| <p>People related risk</p> <p>How do you see the management of people risk changing over time ?</p> | <p>"The whole issue of operational risk has reached board level. People risk is an element in that. I contribute to a report that goes to the board every other week containing any risk that my function might be aware of or be running with." (P2)</p> <p>"You've already seen that in the last few years. Essentially, (human resource) is another form of risk, like operating risk; whether it's incompetence in employees who are not skilled in what they are doing, and cause damage through inability, or a fraudulent employee whom we should have spotted, or people simply working outside their authorised competencies." (B)</p> <p>"We haven't got to the point where we could put a financial amount against someone and say that if we lost them what would we lose [financially], but we are tracking our key stars so that the business knows who we think is at risk and who is not at risk." (S2)</p> <p>"Reputational risk is where people are not aligned our goals in respect of their responsibilities or behaviours. Other risks could be around employee litigation – a discrimination case for instance could cost the company its reputation and money. Then again not getting the right people on board on time can also be a risk. Slowing down of processes can be costly, there is always a risk." (G)</p> <p>"We've launched an innovative training programme which is mandatory for anyone who manages others. It's called 'Managing People, Managing Risk', and focuses on improving our line managers' skill and confidence in tackling difficult issues. It is not intended to take risk out of the system, but to ensure managers understand their role and the impact that good management practice can have." (O2)</p> <p>"We report monthly to the risk committee. This includes different metrics around who we're hiring; and the attrition rate. There are qualitative reports as well; looking at hot spots, risk areas." (Q2)</p> <p>"This is an operational committee looking at risk across the business; the human resource element is "a big part of the risk committee". (Q2)</p> |

| Themes – <i>a priori</i> | Code | Representative quotations |
|--|-------|--|
| Roles and influence in the management of human resources | RI | |
| Strategy: | RI-S | |
| Process responsibility | RI-SP | <p>"I don't think we play as big a part as we should and certainly not as big a part as they do in other organizations. I think it is because the actual position is not seen as a strategic player I think we are more seen as an administrative department that in many ways clears up the messes as reactive rather than proactive and I think that comes through in everything we do" (C)</p> <p>"The function (HR) has tried to be more transparent about what it does, about what it costs and also try to show it can add value by informing and advising our managers on the implications of that strategy. Therefore I still believe, more advising, having learnt what strategy is on how that would be implemented and the effect that it will have on people; less on the way the strategy itself is being performed. I don't think that, in itself, has changed that much in the last five years but still HRs influence is the same industry-wide, and all that I feel has really changed is that line-managers are aware more for regulatory reasons than anything else, in the end, to listen to HR about the sort of things that need to be achieved but not necessarily tied back into strategy." (M)</p> <p>"Mergers and acquisitions have been a fundamental part of the business strategy ... [the] human resources function is there to help understand the structure and nature of the talent portfolio; what is being bought, and so on. And from a cultural, integration side, human resources are always involved" (S)</p> <p>"I know I have influence, even when we are dealing with acquisitions and divestments where it's not strictly HR related; and absolutely when there are people adjuncts." (L)</p> |

| Themes – a priori | Code | Representative quotations |
|-------------------------|-------|--|
| Strategy (cont'd): | RI-S | |
| Strategy responsibility | RI-SS | <p>"So, I don't think that we can have an overall strong influence on what is going on at the senior level as far as strategy is concerned." (C)</p> <p>"I don't think that we influence it, I think what we do is participate in it and tend to be, if you like, in the second iteration. I think a lot of the initial strategic planning takes place in sort of relative specialist areas which are looking at big picture business issues and trends or whatever. And then you will get a blue print, road map, outline which is probably the frame work and I think that is when HR gets involved." (A)</p> <p>"We clearly have a seat at the table in terms of discussions because there are implications, inevitably, of an HR nature. But I don't think we are a part, necessarily, of the initial brainstorming unless of course we are the people with the initial idea." (A)</p> <p>"when it comes to actually establishing plans for the future we form a fairly big part of that planning process because any business initiative has a corresponding cost which is the compensation side of the equation and I am the advisor and the internal consultant and the kind of expert, apparently on that function. So I tend to be very involved with the front end." (P)</p> <p>"The divisions, the leadership drives philosophy ... - it is not us. We are not really driving philosophy. I think we have an incredibly active part in making sure that anything that has been done is fair. I don't know whether you would necessarily call that strategic." (K)</p> <p>"... I think you know if <name of CEO> says he wants to concentrate on diversity this year then we will basically all turn in that direction and we will come up with something which strategically looks pretty good but I am not sure whether we bought it to the table in the first place." (P)</p> <p>"I think when you look at the HR function, here and I am going to talk about it at the corporate level and then at the investment bank's. I think it is a very different model from some of our counterparts and I would say first of all from a strategic point of view, we are clearly strategic partners, we are at the table in every sense of the word." (N)</p> <p>"I think as an organisation <name of bank> HR has very little into the strategic planning of the organisation and by that I mean where I think HR could add value is on the Human Resource strategic planning side and at the moment I don't believe we have any link to the business planning side, the business plans that come through and obviously the effect on the resourcing or any influence directly in terms of how we move the talent around the organisation to fit some of those key strategic roles or key strategic gaps that we have in the organisation at the moment." (C)</p> |

Appendix Six: Study One: Influence in human resource management (cont'd)

| Themes – <i>a priori</i> | Code | Representative quotations |
|----------------------------------|-------|---|
| Strategy (cont'd): | RI-S | |
| Strategy responsibility (cont'd) | RI-SS | <p>"<Global Head of Human Resources> who heads up the corporate investment bank from an HR point of view globally is a member of the global operating committee which is effectively the board for our business and is involved and party to all discussions around direction and strategy of the organization" (G)</p> <p>"if there was discussions around future direction, mergers and acquisitions etc you know HR clearly is at the table in the early faze." (G)</p> <p>"I would say first of all from a strategic point of view, we are clearly strategic partners, we are at the table in every sense of that word" (N)</p> |

| Themes – a priori | Code | Representative quotations |
|----------------------------|-------|--|
| Recruitment and selection: | RI-R | |
| Process responsibility | RI-RP | <p>"When it comes to the mechanics of the recruitment process we have taken a very structured view." (B)</p> <p>"I would say about a third of our European strategy is people related in terms of what we will be doing ... yes, there is a lot of admin and process associated with recruiting but there is also clearly an advisory and consultative service that we can offer to our hiring managers and divisions and that is where we are trying to get to." (K)</p> <p>"I think one of the reasons why we haven't done (be involved in the recruitment of senior candidates) it is we frankly haven't had the calibre of people in depth in HR who could engage the business in a way that the business would respect because if you are going to sit down and have a discussion with the business as to why you think this senior Government Bond trader is not the person they need you have to have a pretty good understanding of the business" (A)</p> <p>"I think from a recruiting perspective HCM clearly has an influence and has an input into the process" (K)</p> <p>"there is a lot of admin and process associated with recruiting but there is also clearly and advisory and consultative service that we can offer to our hiring managers and divisions and that is where we are trying to get to." (K)</p> |
| Strategy responsibility | RI-RS | <p>"if you were to have a look at the balance, it has probably become more of a 70:30 drive from HCM) ... but all of that said again, if HCM were to disappear tomorrow I think the business would fill the gap but it wouldn't be so strategically and thoughtfully run for the long-term." (K)</p> <p>"I think it is very much where HR should be leading the charge (recruitment and selection) but they are not currently. We have a talent review process in house that we run so we can identify the talent, once it has been identified it kind of stops there in terms of we know who the good ones are and we can reward them in terms of pay and rations if you like but it is more difficult in terms of finding that next great opportunity for them within the strategic direction of the bank and we are still at kind of a position where if someone were to leave or someone is promoted you are kind of scrabbling around saying 'right, who will fit what job' and whatever and it is usually the first most available person or perhaps the easiest solution rather than the person with the greatest potential to move into that role." (P)</p> <p>"I think HR is seen as being party to the selection decision in this organization not just simply the administration of it." (J)</p> <p>"basically a strategy for next year will be driven, mostly, by HCM and they, and what I mean by strategy is: what is our philosophy in terms of where are we going to go and how are we going to do this ?" (K)</p> |

Appendix Six: Study One: Influence in human resource management (cont'd)

| Themes – a priori | Code | Representative quotations |
|---------------------------|-------|---|
| Training and development: | RI-T | |
| Process responsibility | RI-TP | <p>"we are doing a fair amount of training because of the new legislation that is going through but I don't think what we are doing has enough proactive thought about, you know, what is the manager? What do we need to give the manager in three to five years time? What do we need to give to a graduate trainee to get him up that career ladder? What influences from outside are going to sort of mean that we should be giving some sort of development to managers going through?" (P)</p> <p>"training and development haven't really been focused on by us. So our influence has been our own fault but just recently we have set up a training unit which is a lot more focused and you know, is now providing a lot of input" (J)</p> |
| Strategy responsibility | RI-TS | <p>"I think if it wasn't for human resources there would be very little training and development." (A)</p> <p>"I think the L&D strategy really comes from the top of the organisation in terms of commitment to learning and the commitment to peoples personal development and I think in <name of CEO> we have got someone who certainly talks the story and walks the walk in terms of commitment to that" (P)</p> <p>"We have begun to engage in discussions with senior management around having a more long-term perspective to see talent as assets, and that you have to grow them into further roles, to see them as a risk management exercise – everyone on your management team will have two or three replacements if the person were ... no longer around" (I)</p> <p>"I run the development board with one person from the business line, I am responsible for the education and development of the staff ... So HR is responsible for ensuring that the right people are getting trained at the right time, that it is not managing by allowing people to apply to go to a course, it is managing, HR coordinating the management of putting the right people in the right seats over time so that again they have the right tool kit and they can aspire to the right position within the firm over time, that is the key and that is where HR comes in and it is for me one of the most important things to get right for any firm" (I)</p> |

| Themes – <i>a priori</i> | Code | Representative quotations |
|--------------------------|-------|---|
| Performance measurement: | RI-P | |
| Process responsibility | RI-PP | <p>"I think it is something where you know certainly the expectations of him (CEO), and probably to some extent even the board, that HR has got the governance around performance management and measurement and although we can't enforce we can certainly encourage it and report back." (F)</p> <p>"It is similar (to training and development) in the sense that if you don't have a performance management or measurement system in place it is hard to track development and individual needs. Having said that I think the performance management has been more of a challenge in order to get the business attention to that than in other industries or other types of business and I guess I think part of it is because of the type A personality that you tend to deal with in the capital markets business." (F)</p> <p>"yes we have this appraisal form that we use globally but in fact it really doesn't help us very much, it doesn't really help us get down to managing performance. So, how do we manage performance? – not very well at all" (N)</p> |
| Strategy responsibility | RI-PS | <p>"I would say that we have single handedly shaped that, actually over the last few where before we struggled dramatically to try and justify any exiting action we were taking because of a lack of process, to the point where somebody goes. We now have an annual cycle of review" (B)</p> <p>"There is integrated performance piece in some divisions happening and in others it is not. HR in my opinion is still focusing too much on performance management on an individual level and still has some work to do in linking it with the corporate performance management. We see that even in our employee service, people ask for more clarity on how that links into the bigger picture." (I)</p> <p>"personally I think that is a weakness. I think we have got a long way to go in this organization and I suspect in other investment banks we tend to do performance management business by business, there is no common methodology which purveys in our the entire organization, there are no common skills and there are no common metrics. And you could argue well that is appropriate because each business measures itself in a very different way, you know the way you measure investment bankers and their performance is different to the way you measure corporate bankers is different from the way you measure people in sales and trading operations is different to people in the treasury and support areas so therefore how could you possibly have a common performance process? I think there is an element of truth to that but I do believe that if we try to achieve a common set of leadership standards, of standards of behaviour that you need to embed that in your performance management system to enable you to develop a common culture and a common way of doing things." (G)</p> <p>"I mean we do influence things like, we are changing everyone over to a common platform this year but I don't know if that's what you are after that is not really strategic." (K)</p> |

Appendix Six: Study One: Influence in human resource management (cont'd)

| Themes – a priori | Code | Representative quotations |
|----------------------------|-------|--|
| Compensation and benefits: | RI-C | |
| Process responsibility | RI-CP | <p>"I think we do a lot actually. I think we do a lot! I think we are very much involved in formulating the plans, I think we are very much involved in, clearly the process, but also, I guess, in providing an objective view on some of the discussion that are taking place at the executive committee level." (A)</p> <p>"We have the tools to in which pay the discretionary bonus in the most effective way. We back that up with the number of benefits which we feel would give significant support to individuals but where I think we need to do much more is that overall strategic thinking ... to understand what the market is saying to us and to be in partnership with the business" (C)</p> <p>"there is no question, this industry leads the way in terms of either the processes we have, the tools we have, the products we have are all pretty good with us measuring long-term incentive or short-term incentive. I think that really is a robust process, it is a long process but it is very elaborate, everyone is engaged and you know it tends to run pretty much like clockwork and then I think the HR people play a fundamental part in that, it is driven by the HR organization" (G)</p> |
| Strategy responsibility | RI-CS | <p>"we have a lot of smart people at the top of the firm who have some very clear ideas about what should be offered in way of structures" (B)</p> <p>"There are various other deferral mechanisms that we have got which were designed by HR, where they promulgated entirely by HR alone – no, they are encouraged by the business who had seen it where they had come from and thought why aren't we offering it? So we have had a mixture of following the leadership on some of these things and on others of actually providing original thought." (B)</p> <p>"I would say that we, as an HCM organisation have a lot of influence and our advice particularly in that area is listened to and taken on board because compensation is obviously such a massive part of our cost base, you know, it is something where we have a huge amount of expertise from a tax perspective, cost base perspective, benchmarking perspective." (K)</p> <p>"So rather than us just being told or informed you know, this is what the divisions want to pay in terms of basic salary, bonus, etc. We are making recommendations to the line and we are pretty, you know, again because we have a lot of expertise in this area, and an entire team dedicated to this area. Clearly we are in a position where what we say is listened to." (K)</p> |

Appendix Six: Study One: Influence in human resource management (cont'd)

| Themes - emergent | Code | Representative quotations |
|--|-------|---|
| Roles and influence in the management of human resources | RI | |
| Recruitment and selection: | RI-R | |
| Graduate | RI-RG | <p>"we have a number of interventions each year, continuously in, for example, the area of campus recruiting, you know, how many people we hire, what type of people we hire. Is depends on what we think the forward plan for the business is going to be" (B)</p> <p>"we always separate filling the talent pipeline part of the process in terms of campus recruitment for graduates, post-graduates etcetera. And I think that is pretty well planned, you know, HR plays a fundamental role along with the business and are very close to the business it is sort of planning our requirements for graduates each year and the business is fully engaged in the whole campus and I think we do, quite frankly I think we do quite frankly, we do as well as anyone we do as well as Unilever in this regard" (G)</p> <p>"On the graduate side I think there has always been, I mean if you went back 8 years ago or 6 years ago it was very driven by divisions which was a function of our size and the fact that only a few divisions were actually recruiting grads. I would say from about 5 years ago HCM started to have a big strategic input" (K)</p> <p>"So to put it in a nutshell when it comes to hiring first-time buyers of a job then HR has all the influence it wants and in lateral hiring it could be much more." (I)</p> |
| Junior | RI-RJ | <p>"I think the answer is not enough, I think we are involved in some of the mechanics of recruitment. Clearly we are involved in the recruitment of juniors because we do it." (A)</p> <p>"So areas like analysts for example, at certain levels of the analysts, we basically do it" (F)</p> |
| Non front office | RI-RN | <p>"When it comes to the selection process itself HRs involvement does vary, in some cases it may be less evident than others, typically in the smaller areas, you know, for an office position" (B)</p> |

| Themes - emergent | Code | Representative quotations |
|-------------------------------------|-------|---|
| Recruitment and selection (cont'd): | | |
| Senior | RI-RS | <p>"But when it comes to senior management, you know, the head of this function or that function I would get involved or one of my senior colleagues would get involved. We do play a part in it then, but that is really reacting once the process is underway. I think the main things that we do are certainly, set the standards of assessment to ensure that people have done the thing properly" (B)</p> <p>"I suspect your question here is aimed at the heavy hitters ... And I think on the whole, the business will tend to drive that and they will tend to bring HR in at the end, if we are lucky, as a kind of sanity check or to do the actual processing. But particularly if they are dealing with big hirers, what they view to be important hires they tend to keep the cards pretty close to their chest, not because they don't value HRs involvement, but because they have a fear I think of someone outside of the magic circle saying the wrong thing to a key hire and perhaps putting them off, or whatever it happens to be" (A)</p> <p>"So now what we are working on is a plan that HR have largely developed which says - look at your staffing needs as we have just described in terms of external recruitment and look at your staffing needs in terms of succession issues right to the very top." (B)</p> <p>"The other point of recruitment is more the tactical recruitment to either bring in strategic hires or to replenish our people as they leave and you know that tends to be more tactical and that is done business by business and invariably with the involvement of the HR generalist in that business." (G)</p> <p>"When it comes to lateral hires, experienced hires it gets much more a fuzzy picture, it is the line people who know talent outside in the markets themselves and they go with head hunters in the market themselves and HR is more or less managing the process of engaging a head hunter or they only get to know that in the middle of the process when they say we need a contract here." (I)</p> <p>"The profiling I would say it is fuzzy but it depends on the specific case and the relationship of the specific HR advisor with the line manager and how much he or she influences the selection of that person." (I)</p> <p>"we are definitely a voice in an advisory or consulting sort of a capacity to the hiring manager and depending on what level of person you are talking about, you know, you would have a different level of influence on that decision, interestingly enough the more senior the individual the more influence probably we have on that decision and partly because the fit becomes increasingly more important as you go up the organizational chart in terms of level of person" (U)</p> |
| Diversity | | <p>"To get diversity in. What sort of diversity programmes will we have running ?" (K)</p> |

Appendix Six: Study One: Influence in human resource management (cont'd)

| Themes - emergent | Code | Representative quotations |
|---------------------------|-------|--|
| Training and development: | RI-T | |
| Regulatory | RI-TR | <p>"compliance requirements ... the regime they have for us is one that means that we have to have an up-to-date and compliant population, so like it or not, we have to do that." (B)</p> <p>"We have a big role to play in the education of people about how we expect people to behave around here, not just legal behaviour but the treatment of each other and diversity" (K)</p> <p>"I think the training end is, other than your regulatory training and the compliance that you need to do and keep track of, tends to be not an area of focus or not one that the business looks to us to focus on." (F)</p> |
| Technical and soft-skills | RI-TT | <p>"Managing producers is not about just managing the softer issues ... you ought to be able to add value to their technical ability, even though they are very sophisticated producers. So if you are the world's best bond salesman, if I gave you a manager who could actually from time to time give input into how you 'do' bond sales, then that would be good thing." (L)</p> <p>"There is a certain amount of that in terms of people going off on higher level courses that just never touches HR. There is then a certain amount of technical training that the business does themselves. We are aware of and we can sometimes help them structure it, but in reality if you wanted to run a training course on selling structured derivatives it is typically what a desk head would do for his team or for whatever. So, it may have an HR input or framework but it is not, I don't think we influence it as such" (A)</p> <p>"I think up until fairly recently training and development was done business by business. It tended to be more aligned to the technology needs, if you wish, to the businesses. Very skills specific about developing the skills set of people within the business." (G)</p> <p>"the technical side, we do very little work on the technical side and we are not very involved at all apart from a little bit of coordination. On the more soft side we actually tend to drive the training programmes through the organization because you are actually taking enterprise wide programmes at that stage and pushing them through the organization so those are developed, management, coordinated and typically run by the human resource profession within the organization and the selection of people that go on them is very highly influenced from within human resources and I intentionally said influence rather and again not mandated other than the occasional programme where 100% is mandatory" (U)</p> |

Appendix Six: Study One: Influence in human resource management (cont'd)

| Themes - emergent | Code | Representative quotations |
|------------------------------------|-------|--|
| Training and development (cont'd): | RI-T | |
| Leadership development | RI-TL | <p>"The CEO ... every year sets out a programme for the top talent, who might sit one day on a top team, and they debate strategic issues with him." (I)</p> <p>"Where you have the phenomenon of someone being a great producer but a terrible manager, you know we talk in terms of getting coaches, executive coaches and stuff, the reality is that they don't know how to change; they are not going to change so I think that that is one issue ... I remember asking the head of the business in a region on any deal: 'Do you want this guy on your team?' They would gingerly say that he was a great challenge when it comes to relationships and partnering and all that stuff, but he is just great at what he does." (N)</p> <p>"In terms of leadership development, I think we are becoming much more active there, I think we are very much leading the charge there." (A)</p> <p>"I think more latterly we have moved into what I regard as a more strategic area where we have moved very much more into uplifting leadership standards. We have introduced a range of leadership programmes from the very top" (G)</p> |

Appendix Six: Study One: Influence in human resource management (cont'd)

| Themes - emergent | Code | Representative quotations |
|--------------------------|-------|---|
| Performance measurement: | RI-P | |
| Compensation | RI-PC | "this is where the training is coming in around justifying how you award the end of year bonus and obviously the performance review grade at the end of each year as well" (P) |
| Firm values and culture | RI-PV | "personally I think that is a weakness. I think we have got a long way to go in this organization and I suspect in other investment banks we tend to do performance management business by business, there is no common methodology which purveys in our the entire organization, there are no common skills and there are no common metrics. And you could argue well that is appropriate because each business measures itself in a very different way, you know the way you measure investment bankers and their performance is different to the way you measure corporate bankers is different from the way you measure people in sales and trading operations is different to people in the treasury and support areas so therefore how could you possibly have a common performance process? I think there is an element of truth to that but I do believe that if we try to achieve a common set of leadership standards, of standards of behaviour that you need to embed that in your performance management system to enable you to develop a common culture and a common way of doing things." (G) |
| Diversity | RI-PD | "Yeah, and also we have a number of different new legislations coming in around equal pay, some of the diversity and discrimination issues that are coming in as well which I think is moving performance appraisal perhaps more away from how the individual has performed to more justifying why you put that comment in there" (ML) |

Appendix Six: Study One: Influence in human resource management (cont'd)

| Themes - emergent | Code | Representative quotations |
|----------------------------|-------|--|
| Compensation and benefits: | RI-C | |
| Salaries and benefits | RI-CS | <p>"there is a very clear link and a very structured relationship between the comp and ben process and the HR department. I think that is one of the areas where our influence or our impact or involvement is the strongest. You know, I would say the macro kind of level but also at the individual level, not for what do you pay a settlement clerk in Indonesia but when you get into the bigger packages" (A)</p> <p>"We are the only function that is ever going to propose enhance a benefit, or reduce a benefit or introduce a new one. And we feel that is an area where there is recognition of expertise and knowledge in the HR function that we can bring to that." (M)</p> |
| Allocation of bonus pool | RI-CA | <p>"the wholesale banks bonus pool is X, how much of it should go to fixed income? How much should go into equities? You know all of those sorts of things, I think we play a very significant role. I think we do that at two levels, one is that we sit at the table and discuss it, I certainly have a voice at that table and an ability to influence at that table, no question at all." (A)</p> <p>"From my standpoint I would say this is probably the one area that we have and exert a huge amount of influence actually. We don't determine the pools at year end but we certainly have a very active part in how those pools are divided and managed and how people are rewarded at the end of the year and I think that is in a number of ways, one is from a pure process perspective that we manage that process" (P)</p> <p>"HR has got to be able through its network to get some indication of what is happening and validate what you are going to read in the papers, validate what you are going to hear in the street, to say that people from the bonus side, our people, relative of performance are getting paid fairly. Our HR team, or HR committee, my HR team knows exactly what the performance of every business is; revenue line, cost line, risk line, why is that important? Because they can help me help <name of CEO> decide where we may be at risk from the standpoint of how we do our bonus pools, how we decide who gets what." (V)</p> |

Appendix Six: Study One: Influence in human resource management (cont'd)

| Themes - emergent | Code | Representative quotations |
|-------------------------------------|-------|---|
| Compensation and benefits (cont'd): | | |
| Size of bonus pool | RI-CB | <p>"Our influence on strategic planning is limited as far as I can see to a few issues, one issue is compensation planning ... variable pay being the dominant part of compensation, bonus approvals, managing expectations, compensation in line with how markets develop is much more important than in the past so top management takes in a senior executive compensation committee and management bonus pool is a number one cost item in the firm several billions, that is relatively technical and functional but it is an influence on the firms' planning process ... when it comes to structuring contracts, in structuring equity schemes and bonus pools, how bonuses are distributed and accrued, HR is very much defining these processes" (I)</p> <p>"It is very high here because we are seen as one of the key parties in determining what the bonus pool should be and actually to some extent we provide a, perhaps a slightly more objective view in a highly subjective environment and a highly emotional environment and again with benefits and salaries." (J)</p> <p>"the bonus pools are all calculated in different ways and that is all agreed between finance, HR and the business and any new plans going in" (S)</p> <p>"we are accountable for determining what level of total compensation for the organization to pay. So we do that on the basis of, what I call, for the first half of the year we look at it from a top down perspective, how much money we are planning to make and therefore if we make that amount of money how much would we pay out in compensation and the second half of the year we continue that on for the whole year, in the second half of the year we start to put, what I call, a bottoms up discipline against it" (U)</p> |
| Values | RI-CV | <p>"I actually think values are starting to play a much bigger role in comp and ben" (L)</p> <p>"if we are buying something in from another firm we think about, from HR stand point, about whether or not those people will fit the culture, whether or not they are going to want to stay or whether they are just mercenaries who come in for two or three years who will get their money, get their guarantees and walk out the door" (V)</p> |
| Unions | UN | |
| Engagement with unions | UN-N | <p>"I think in many ways HR, certainly in <head office country> is seen as the area which deals with the unions and that in many ways is seen as their strategic sort of play" (C)</p> <p>"there is a matrix which our employee relations people will negotiate with the union or not negotiate with the union as the case may be." (K)</p> |

Appendix Six: Study One: The centrality of credibility

| Themes – a priori | Code | Representative quotations |
|-------------------------------|------|--|
| Credibility | CR | |
| Credibility and relationships | CR-E | <p>"A lot of it comes from personal credibility and as I said my fear, if that is the right word, or concern, is that we don't have a significant number of people within the HR function at that level where they could fulfill those two criteria (a) because we don't necessarily have the right business expertise and (b) because HR's history within the bank in terms of doing the basic things right and delivering a quality product has not always been the greatest, so I think that automatically puts you on the back foot." (A)</p> <p>"My experience from a previous bulge bracket firm was that HR was used as a letter writing service - so this is the person we want to hire - write a letter, so I have never been very big on that. But you have to earn your credibility before you are able to make decisions, so there are still parts of the organisation that will hire people and HR will not have interviewed them. But they are fewer than there were." (S)</p> <p>"My head of resourcing ... has done a huge amount to make all that work, so because of that credibility, which comes first of all from your ability to deliver, and because she and they have proved that they can deliver, they get permission to contribute more." (S)</p> <p>"So it is fairly active involvement, again through influence not power, so I don't have the power to override anybody in that decision. The only thing that I can do is provide advice but my, what I tell people is that you are the most powerful human resource person, most involved when you provide good advice, when you are knowledgeable and provide good advice and not because you actually have the power to make decisions." (U)</p> <p>"I still think that if the individual can establish a good relationship then HR can influence. But if the relationship isn't there then HR as a function is not seen as a critical part of influencing strategy." (T3)</p> <p>"I don't know whether that helps, but I think the <name> who is in HCM and his charisma means that HCM has gained in credibility and is driving quite a lot of training. And being to drive the soft skilled training lower down through the organization is quite enough. They can do more of that than we used to be able to do. So, I think actually, probably our influence has grown which surprises me to hear me say it because it feels like quite an up hill struggle." (K)</p> <p>"The only power that we have got is the power of influence, so we don't have position power so the function itself doesn't come with the power to do that but individuals throughout the organizations gain that credibility and gained the influence and provide advice to a hiring manager. And business people don't always follow the advice for the most part they do but they don't always follow the advice" (U)</p> |

Appendix Six: Study One: The centrality of credibility (cont'd)

| Themes – <i>a priori</i> | Code | Representative quotations |
|--------------------------|------|--|
| Credibility (cont'd) | CR | |
| Influence and metrics | CR-M | <p>"They [human resources managers] don't have to be completely 100% conversant in the business they support, but they need to be commercial." (S)</p> <p>"I think it (human resource influence) is increasing, probably around looking initially at the costing of things and getting more involved in metrics and monitoring and that kind of area." (J)</p> <p>"But I think that probably within <name of bank> again there is probably a very cautious approach to HR now in terms of investment and I think we are going to make a few large investments ... to try to fix some of the historical issues and problems that we have had in the past around basic data and trying to go back to the basics to try and get that right before we try to build and build something a lot more sophisticated because we have always got the Achilles heel which is the lack of data or more aggressively lack of because you lose credibility very quickly." (P)</p> <p>"I think within performance management human resources has always, in my view, had an undisputed role around the form but performance management not about the form, performance management is actually about trying to improve performance within the organization." (J)</p> <p>"I think we have got, as a firm, a long way to go in terms of sort of our management reporting tools, how you extract that data and then extrapolate it in a form that you want to make it usable and therefore you can take it to the table to have a proper discussion with your management team around you know your key performance is difficult and that comes down to some of <bank name> failing in terms of some of the technology, one piece of technology doesn't talk to another and we have lots of stand alone systems which means that if I wanted to go out and find everything I wanted to about someone, I couldn't. I would have to go to about four different systems within that and I think some of those issues make it very hard for us to drive the management team to using some of the tools that are available to them because it is just too difficult and therefore some of that knowledge and some of that information is being lost as well." (P)</p> |

| Themes – a priori | Code | Representative quotations |
|-------------------|------|--|
| Symbolism | SY | <p>"- when does a people issue become an HR issue ? Some people believe that people issues are HR issues - not necessarily so" (L)</p> <p>"there is a lot of influence but we need to be careful to distinguish the principle of human resource management becoming more relevant from the human resources function doing it.. Some people use the term synonymously and you get different results" (L)</p> <p>"I think that business leaders do place more importance on HRM but they might call it different things, so there could be language differences." (L)</p> <p>".. I would say that I am reasonably involved in strategic planning so number one is that I report to the CEO and number two is that I sit on the executive committee which is the strategy group for <name of bank>" (U)</p> <p>"As a symptom, I sit on the ninth floor here and I am actually moving up there because they (regional business executives) want me to sit closer to them. That is just a symptom of what is going on here, and I think also because we are part of a maturing organisation ... as organisations mature and they grow and they no longer rely on the paternalistic mentoring you do what I do, you sit next to me and I'll show you what to do ... and they start to feel the need for something more systematic and I think some of it may have to do with that ... just to do with maturing organisation. If you look at the place of HCM in an organization, as it matures it changes." (K)</p> <p>" – so the head of human resources for equity sits on the equity trading floor, and it's had a really positive effect. I know it's optics, a lot of it, but it has helped to push my agenda." (O)</p> <p>"The impact that HCM would have on that organization planning would be in terms of having a seat at the table. Our Global head of HCM has a seat at the table on the management committee and helping to shape where we decide to go for the next couple of years so, actually as it happens our head of Global HCM is quite an advisor to the chief executive <name of CEO> and so, actually we have a lot of influence there." (K)</p> <p>"it is a truism that people are the only differentiator left and I think there is increasing realization of that. Everything else by and large if you have money you can copy, capital you can lend, you know, I can't think of anything that isn't capable of cloning, except people in some sense. So, because of that I think that business leaders do place more importance on HRM but they might call it different things, so there could be language differences. So there could be language differences." (L)</p> |

| Themes – a priori | Code | Representative quotations |
|--------------------|------|---|
| Symbolism (cont'd) | | <p>"I am on the <name of division> board, so I am involved in the things that come to the board that need strategic planning, what we are going to do, what we are not going to do so I will hear all about it then. But I would say that I haven't been able to move HR where I would want it to be yet. The good thing is that I am at the table and there hasn't been an HR person at the table before, so that is good. But I still have to work, you know when the businesses are go and acquire something or divest themselves of a business, not so much now, but even six months ago" (S)</p> <p>"One of the most important things is the people that I have hired in the last year because they are also now being regarded as those kinds of people that add value on the various boards that they sit in, so I would say that, <name of Group Head of Human Resources> in the past has been very involved and I know that he is on the group executive management committee. So he will hear and be part of all the discussions there so that he doesn't have to get it second hand." (S)</p> <p>"I would say that I am reasonably involved in strategic planning so number one is that I report to the CEO and number two is that I sit on the executive committee which is the strategy group for <name of bank> and when it comes to actually establishing plans for the future we form a fairly big part of that planning process because any business initiative has a corresponding cost which is the compensation side of the equation and I am the advisor and the internal consultant and the kind of expert, apparently on that function. So I tend to be very involved with the front end." (U)</p> |

| Question | Representative quotations |
|---|--|
| Use of metrics and information technology | |
| What human capital measures are used ? | <p>"What drives it is working with the board and with the CEO. Understanding the business and the business drivers; understanding that everything we need to do in human resources needs to have revenue or costs attached to it" (S2)</p> <p>"Metrics are fundamental part of their setup. The human resource function has to deliver and if you don't have a way of proving this you aren't being fair to the business." (G3)</p> <p>"The business gets violently put off by human resources jargon. So it's the ability to talk the way they do that makes a big difference. You get credibility by being able to reference the world inside and the world outside and that includes using metrics, because this is the financial sector. Otherwise you are just using your intuition and if you can't validate it, particularly at the early stages of the relationship, when the other side doesn't know you, you're not convincing. You absolutely need metrics. And also using metrics, and the right metrics, shows a level of sophistication." (V2)</p> <p>"What's not covered is a true understanding of the cost to the business of losing people – of having people out of a seat; the drop in continuity. That's not being modelled today. That's the key. That's what needs to be modelled. Banks are full of smart people but they haven't developed this into a science. It's not just a case of 'That person has gone; this is the revenue they brought in and we've lost that revenue'. We went into growth mode a year ago. In that time I've done 180 interviews. One hour, at my rate, is not cheap, and there is the cost of search firms. In addition, if someone resigns; the person sitting next to that person thinks: Should I be thinking of resigning? When you finish this model it is really scary how big this number is." (N3)</p> <p>"Reliance is a little bit like the truth, or commitment: it's either zero or 100%. These are absolutes. When you rely on something you don't sort-of rely on them. If you're driving a car at 180mph you either rely on the brakes or you don't. They have to work. We have a great set of metrics, that are pretty simple, straightforward, and then we work them, rather than creating lots of different versions. How many people are we hiring? What's the cost? When are they going to be hired? Which search firms are we using? When do we expect to see them sat on the seat? Which firms are we going to hire from? What are the value systems and the behaviours, the technical competence, the longevity in the market? For given revenue what comp do we expect to pay; if it's a start-up business we'd have a higher payout percentage, if it's a very mature business then it's price per seat." (S3)</p> <p>"We are trying to marry some of the outputs from climate surveys, and match them with competency data, coming out of our annual review. For example, we're trying to look at different levels of engagement of employees who are managed by those with greater and lesser degrees of management capability." (V2)</p> |

| Question | Representative quotations |
|---|--|
| Use of metrics and information technology (cont'd) | |
| What human capital measures are used ? (cont'd) | <p>"I review performance, including budget performance, on a monthly basis and on a quarterly basis with the CEO." (S2)</p> <p>"What strikes me as staggering in other companies I've worked for is: that I've challenged the human resource managers to recognise that their stock in trade, their balance sheet, their currency, is the people; and to not know everything about the people and be able to manipulate that data leaves me thinking that I just can't understand how human resource managers can do strategic human resource management if they get stuck on handling admin." (S3)</p> <p>"There are relatively few people ... who understand the depth of investment, in time and effort, that's required to get the right people. I always use metrics like: it takes an average 16 weeks to get the right person. At a senior level you probably have to see five to seven people to get one; and there will be multiple interviews. If you actually work out the costs, from search fees, through management time, etc, it's just immense." (S3)</p> <p>"Measures are real indicators of engagement levels and how people are feeling towards the company. They are increasing in use all the time. Measures are taken more and more as systems improve. We get a better feel on key issues around the company. Access to data up to three years ago wasn't easy. Now a common data warehouse holds all the information we need. Metrics are a fundamental part of the set-up." (G)</p> <p>"We look at leave rates; we spend a lot of time looking at turnover and understanding why people leave. We also look at non-regretted leavers. We know the percentage of people in a given business unit who left who we didn't try to keep. We operate a meritocracy and believe it is good practice to be continuously refreshing our population to ensure the best performers are retained and challenged." (O3)</p> <p>"Business managers are demanding more people-related data – they want more information and easier access." (O2)</p> <p>"All the ones [human capital measures] we use are useful numbers to know; but they are just numbers. If a business has substantially higher turnover than another it could be that we're trying to manage people out or a run of bad luck. You have to have some numbers otherwise it's just feel." (O3)</p> |

| Question | Representative quotations |
|--|---|
| Use of metrics and information technology (cont'd) | |
| Is there a formal human capital report ? | <p>"If you talk to them [other senior executives] on numbers, you have a far more interesting discussion. As I started talking about numbers I thought, well, actually if you can measure something you can actually improve it more effectively, otherwise it is about belief." (B)</p> <p>"In some of the revenue-generating areas, we have a pipeline report that looks at the bonus spend, as we go through the year. So as we're hiring new people bringing them on board ... We look at that, sometimes on a weekly basis. That would definitely drive behaviours in terms of 'Stop; no more hiring'. Or accelerated hiring." (P2)</p> <p>"There are a couple of brochures that go in the annual report, but there's not a human resources section with metrics in it. But the management committee one is pretty comprehensive. For example, under 'Engagement' we would have turnover; turnover by diversity; people survey results; we do measures on recruiting, training, reward, employee relations – how many cases per employee, and then cost. Those are the broad categories." (K)</p> <p>"When the CEO talks to analysts at the time of half-year and full-year review he will go in with charts showing what our feedback survey says. How many people responded; what were the engagement scores; what were the key areas, and so on." (S2)</p> <p>"Within the performance plans of myself and my executive committee we commit ourselves to three specific actions coming out of the human capital report. So, I get that for the region and each region or country head gets three specific actions to follow through." (S3)</p> <p>"It is seen as giving us competitive advantage. How we manage our people to a good standard; and that what we're trying to do with them in terms of development, diversity – that there's a good story to tell. It helps to be transparent on that. You think you're good, but this [the report] creates internal pressure to improve what you are not so good at." (V2)</p> <p>"We are just not where we need to be; I just don't think we've done enough thinking of what are genuine indicators of value-added, or forward indicators. But I think there's huge value in paying great attention to your attrition rates, not just rates but why, what the demographics are. Really understanding what you're doing in the hiring process, and where you're leaving value on the table, particularly in that very costly exercise." (V2)</p> |

Appendix Six: Study Two: The centrality of credibility (cont'd)

| Question | Representative quotations |
|--|---|
| Use of metrics and information technology (cont'd) | |
| What information systems are used ? | <p>"In the last 18 months it has moved up from being adequate. It could still be better. If it's going to do more, I think it's the connectivity of the systems and some nuances within the systems. These things will always become easier to use. You get more sophisticated based on what you want to do." (P2)</p> <p>"I think on performance measurement – on metrics – is the area where we could do with more help. We've done work on metrics, and I think we've got good measures, but actually they are terribly painful to produce. That would be an area where I'm not sure we've got the management information systems. So, we do it, but it's agony." (K)</p> <p>"In our domestic market management information is adequate, but absolutely not yet on a global scale." (S2)</p> |

Appendix Six: Study Two: The centrality of credibility (cont'd)

| Question | Representative quotations |
|--|--|
| Factors that influence the credibility of the human resource function | |
| Credibility to influence business planning | <p>"some progress has been made with added value initiatives – HR's ability to influence more strategic issues is determined by credibility" (Q3)</p> <p>"It's a continual case of winning credibility with the management group. What you've got to do is deliver consistently. Rather than talk it, do it." (B)</p> <p>"I think because we have transformed ourselves to be offering something worthwhile, and have developed our relationships with the business, they understand what we are offering and buy into that. It needs to continue becoming more integrated into the way business gets done. In order for that to occur, we need to continue to have strong relationships with our businesses and in-depth understanding of their business and what they are trying to achieve." (P2)</p> <p>"You have to understand the business. If you're talking to someone in equity you have to understand what a share is and what a convertible bond is and what a derivative is. You have to understand what they do every day." (K)</p> <p>"In [one division] the influence rating would be 8/10; in another it would be only 3/10 and in another it would be 10/10. It depends on the human resource partner and the business area" (H3)</p> <p>"It's become much closer. More of a partner than a service provider. I would like to see a continuation of the development of partnership, with people considered as equals. For that to happen, it would be good to have senior people in the business going to human resources and ... it happening vice versa." (G)</p> <p>"The next phase is almost, how can you be like a think tank in the human resource function: to stimulate the business, to get managers thinking in different ways of how to manage people in their businesses. How do you add much more value to human capital, driving productivity through innovation?" (V2)</p> |

| Question | Representative quotations |
|---|--|
| Factors that influence the credibility of the human resource function (cont'd) | |
| Factors which contribute to credibility | <p>"If you get any one of these things wrong <Ulrich's factors> you're out of the door anyway" (C)</p> <p>"Last on the list is having a professional HR qualification. If someone tells me they need CIPD I just die. And it is so not global." (I)</p> <p>"That [professional body membership] is not going to cause you to have credibility, but it might be another facet of your credibility." (V3)</p> <p>"And to some extent I would say they need to show courage. I was speaking to a coach and we were saying that in human resources what you can't be frightened of is making enemies. Where you think something is not right you have to have the courage to confront. If you get to a point of conviction you do have to take a position." (S3)</p> <p>"An understanding of the key protagonists around the table. A credibility in the eyes of those around the table. Desire to take risks, and good old-fashioned persistence. What I believe is critical is that someone is at ease in their own skin. They are confident, balanced. They're not political; not a reed in the wind. You've got to be solid." (S3)</p> |

Interview respondent codes (from Table 3.10)

| <u>HR One</u> | <u>HR Two</u> | <u>Business Two</u> |
|-----------------------------------|------------------------------------|---------------------------------|
| A, Global Head of CIB HR, LDN | A2, <i>Not possible</i> | A2, <i>Not possible</i> |
| B, Global Head of CIB HR, LDN | B, Asian Head of CIB HR, SNG | B3, Asian Head of FI Sales, SNG |
| C, Global Head of CIB HR, PRS | C, Global Head of CIB HR, PRS | C3, Global Head of DCM, LDN |
| D, Global Head of Markets HR, NY | | |
| E, Global Head of CIB HR, PRS | | |
| F, Global Head of CIB HR, TO | | |
| G, Euro Head of CIB HR, LDN | G, Euro Head of CIB HR, LDN | G3, Asian Head of FICC, HKG |
| H, Global Head of CIB HR, LDN | H, Global Head of CIB HR, LDN | H3, Euro Head of DCM, LDN |
| I, Global Head of CIB HR, FFT | I, Global Head of CIB HR, FFT | I3, Asian Head of FI Sales, SNG |
| J, Global Head of CIB HR, LDN | | |
| K, Euro Head of IB HR, LDN | K, Euro Head of CIB HR, LDN | K3, Euro Head of HY Sales, LDN |
| L, Global Head of CIB HR, LDN | | |
| M, Global Head of CIB HR, LDN | | |
| N, Global Head of CIB HR, NY | N2, Global Head of CIB HR, NY | N3, Asian Head of Credit, HKG |
| O, Euro Head of IB HR, LDN | O2, Euro Head of IB HR, LDN | O3, Euro Head of FICC, LDN |
| P, Euro Head of IB HR, LDN | P2, Euro Head of IB HR, LDN | P3, Euro Head of DCM, LDN |
| Q, Euro Head of IB HR, LDN | Q2, Euro Head of IB HR, LDN | Q3, Euro Head of FI, LDN |
| R, Global Head of CIB HR, TO | | |
| S, Global Head of Markets HR, LDN | S2, Global Head of Markets HR, LDN | S3, CEO Asia Markets, HKG |
| T, <i>Not possible</i> | T2, Global Head of CIB HR, LDN | T3, Global Head of FICC, LDN |
| U, Global Head of CIB HR, TO | | |
| V, Global CIB COO, LDN | V2, Global Head of CIB HR, LDN | V3, Global Head of FIG, LDN |

First study: 22 targets

Second study: 14 targets (if the HR respondent was different to the first study they are designated with a suffix '2'. All business line managers have a suffix of '3').

Key:

| | | | | | |
|-----------|--|-------|-----------|-------|-----------|
| IB = | Investment Bank | LDN = | London | SNG = | Singapore |
| CIB = | Corporate and Investment Bank | NY = | New York | TO = | Toronto |
| FI = | Fixed Income | HKG = | Hong Kong | FFT = | Frankfurt |
| FICC = | Fixed Income, Currency and Commodities | PRS = | Paris | | |
| DCM = | Debt Capital Markets | | | | |
| FIG = | Financial Institution Group | | | | |
| Credit = | secondary market credit | | | | |
| HY = | High Yield | | | | |
| Markets = | primary and secondary market activity across all asset classes | | | | |
| COO = | Chief Operating Officer who was also Global Head of HR | | | | |

Appendix Seven

Publications and practitioner responses to the IFR report 'Talent Portfolio Management: Leveraging assets in capital markets and investment banking (Aldrich, 2007).

- IFR Report
- Strategic Risk Article
- BNP Paribas
- JPMorgan
- The Royal Bank of Scotland
- Mercer Human Capital Consulting

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TALENT PORTFOLIO MANAGEMENT:

LEVERAGING HUMAN ASSETS
IN CAPITAL MARKETS AND
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"There is financial capital, reputational capital and people capital. As bankers we spend a great deal of time protecting the first two, but because of the tyranny of the immediate, we spend the least time on our people, and at the end of the day this should probably be our first priority."

Richard Hayden, Vice Chairman, GSC Group, former Deputy Chairman and Managing Director of Goldman Sachs International

Despite being by far the largest item of any bank's expenditure, few firms have employed systems to analyse meaningfully their return on investment in people. And yet this is a sector where the recruitment or defection of just a handful of key individuals can make or break a business strategy.

Talent Portfolio Management: Leveraging Human Assets in Capital Markets and Investment Banking, an insightful intelligence report from IFR, looks at the challenges of attracting and retaining people in a seller's market. It examines various different approaches to measuring return on human capital investment and profiles some of the more progressive firms' strategies to take a more investment-based approach.

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- **Steve Daniels**, Director HR CM & GBM, The Royal Bank of Scotland plc
- **Ann Almeida**, Group General Manager, HR, HSBC Bank PLC

TALENT PORTFOLIO MANAGEMENT: LEVERAGING HUMAN ASSETS IN CAPITAL MARKETS AND INVESTMENT BANKING

Beyond any doubt, every financial institution's prime asset is its workforce, but it is also the asset least subject to transparency of measurement and clarity of accountability. More importantly, it is an asset it doesn't actually own: one that leaves the office every evening and is sought after by rival firms with pockets at least as deep.

As many investment banking services become ever more commoditised, with diminishing margins, high-margin business is increasingly derived from sophisticated investment products and services involving far greater cross-desk collaboration and fewer points of contact with customers. These services can only be offered by specialised individuals and teams who are generally highly paid and in heavy demand.

Financial services employers pay many millions to their stars and teams, but how much is astute investment, and how much is wasted? Stars in one organisation do not necessarily flourish when they move to another, regardless of their compensation packages, so what other factors are at play and how can they be measured and managed more effectively?

Surprisingly, given these firms' ability to manage investments and assess risk in the capital markets, their ability to apply the same skills to their own human capital is far less developed.

Historically, the approach to people management has relied upon gut-feel and intuition, with headcount and cost sometimes being the only two metrics involved; or has been passed to the human resources department and not integrated with broader strategy. Moving to a more strategic model for managing human resources should not prove a difficult conceptual step to take in a sector where individuals deal every day with questions of risk, return and investment.

The situation is changing as financial institutions begin to view their employee costs more as investment than overhead, but despite this growing awareness there has been no research on managing human capital in the sector until now.

Talent Portfolio Management: Leveraging Human Assets in Capital Markets and Investment Banking is a timely Intelligence report from IFR. It offers an expert analysis of techniques being employed by some firms to evaluate the effectiveness of their human capital investment, and examines the impact their management strategies have had on their profitability.

The report examines 22 leading firms, revealing a considerable variety in the extent to which there is a measurement-based approach to human capital. Based on extensive research by the author and drawing on candid views of some very senior bankers, this report should be essential reading for all senior management.

Spotlighting the very latest thinking and practice in human capital management from both the financial services sector and other industries, the report examines:

- Different approaches to human capital metrics and their relative pros and cons
- Links between strategic people management, engagement, and the bottom line
- The role of the human resource business partner in strategic planning
- Implications of talent portfolio management for CEOs and business managers
- The challenges of dealing with 'stars' and 'player-managers'

The concept of talent portfolio management introduced in this report involves taking an investment-based, strategic approach. Just as investment in capital markets involves portfolios of assets, a talent portfolio can be segmented into different human asset groups – for example front office stars, their teams, and people in key support roles. The ultimate goal is to be consistently able to have the right people in the right place, at the right time, for the right cost. It is not a hypothetical process: research for this study indicates that employers in capital markets and investment banking are at least some way on the journey, and that many have made quiet but significant progress in recent years.

MAJOR BANK PARTICIPATION

The following 22 banks contributed to the research and findings featured in this report

- | | |
|----------------------|------------------------|
| • ABN AMRO | • HSBC |
| • Barclays Capital | • ING Bank |
| • Bank of America | • JPMorgan |
| • BNP Paribas | • Lehman Brothers |
| • Citigroup | • Merrill Lynch |
| • CIBC | • Morgan Stanley |
| • Calyon | • Royal Bank of Canada |
| • Credit Suisse | • RBS |
| • Deutsche Bank | • Société Générale |
| • Dresdner Kleinwort | • Toronto Dominion |
| • Goldman Sachs | • UBS |

ABOUT THE AUTHOR

Paul Aldrich is a Partner and member of the Financial Services Practice of CTPartners, one of the world's leading executive search firms. Paul's global perspective and keen assessment abilities are drawn from his experience as a senior executive and search consultant in the major financial centres.

Paul's corporate career has provided him with a blend of global consulting and industry experience, forming the basis for his deep understanding of diverse cultures and talent requirements. Previously he worked for the London office of Price Waterhouse, Chase Manhattan Bank in London and Hong Kong and two major financial services search boutiques. Leading teams responsible for covering capital markets and investment banking business, he was involved in assignments in every major trading centre in North America, Europe, Asia-Pacific, and Australasia. During this time Paul also provided financial market product training for the Federal Reserve and the Bank of England.

Paul received an MBA from Durham University, and is currently pursuing a Doctorate in Business from the same school.

REPORT CONTENTS

"Recent trends confirm that effective talent management – hiring and keeping the right staff in the right positions – is the most important driver of competitive advantage for the banks. This report is a very timely and insightful analysis of the subject that should make compelling reading for anyone looking to maximise their investment in human capital."

Simon Maughan, Head of Equity Research, Blue Oak Capital

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IN-DEPTH PROFILES

- Citigroup
- HSBC
- Lehman Brothers
- Morgan Stanley
- The Royal Bank of Scotland
- UBS

These profiles were the result of in-depth interviews covering the following key themes:

- Human resources structure
- Human resources representation and influence
- Is talent management treated as a strategic matter?
- Human capital measures used
- Information systems
- Is there a formal human capital report?

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If people are your greatest asset, you ought to be putting a value on that asset and risk managing it. The sums at risk may turn out to be astonishingly high, says Paul Aldrich

RISK MANAGEMENT AND TALENT

When a company announces that its people are its most important asset, it sounds like a platitude, and eyes tend to glaze over. If a company were to say 'Our people are our greatest source of risk', it might attract more attention.

In reality, people are both. They are the primary source of value and the greatest source of risk in an organisation, and this becomes accentuated in high value service industries, characterised by considerable investments in intellectual capital and high levels of remuneration. For example, in the capital markets and investment banking sector, up to 65% of annual expenditure is people related.

Conventional management and accountancy display an historic bias towards managing assets that are owned by the company, and monitoring the costs that are more easily measured. The human assets hired by the company – their talent, knowledge and ways of working – receive less attention. They pass under the title 'intangible', which is something of a misnomer, given that they walk into the workplace every day, talk with each other and with customers, build skills, knowledge and experience and are generally responsible for delivering the promises made by executives to shareholders.

Traditional financial accounts do not encompass the value or the risk associated with employing high-value people. There is no record in the financial accounts headed 'cost of failed hires', or 'five-year return of effective leadership-development programmes'. But the gains and losses from the human capital investments which companies make are felt directly on the bottom line.

Discussion of 'risk' in the management of talent is often restricted to discussions of litigation risk from the failure to observe employment laws or specific industry regulations. However, a comprehensive

assessment of people-related risk would cover much more. Reputational risk, for example, would cover questionable deals and many other incidents that fall short of reaching tribunals and newspapers.

And the broader question of hidden risks from the failure to have the right people in the right place at the right time for the right cost and fully engaged can be considerable. High staff turnover, for example, has direct costs such as search fees, and indirect costs such as management time, but it can also lead to significant opportunity costs: lost business from empty seats, or missed opportunities to seize high margin deals in new markets.

If this more broadly defined people-related risk could be quantified, the amounts at stake would be so eye-wateringly high that it would compel managers to devote a large proportion of their time to it.

In the capital markets and investment banking sector, for example, the talent hired is of obvious importance. One significant risk is that a 'star' may leave, and be followed by his or her close colleagues and customers.

Consider the view of a business manager quoted in a new IFR Market Intelligence report on talent management in capital markets and investment banking. He observes that business managers have not historically been held to account for all the costs which are identifiable people related risks. For instance, he says that even the banks have not truly

quantified the cost to the business of losing people. It is much more than just a case of lost revenue. There is the management time in recruitment, and the ripple effects on morale. If a key person resigns, the person sitting next door thinks: 'Should I be thinking of resigning too?'

This manager believes it is possible to quantify the losses and gains from people-related initiatives on a more rigorous basis, and early indications are that the number is 'scary', to use his word. He envisages a move towards performance-related shadow revenue shared between the business and the human resources function, related to the impact of high performance, integrated, recruitment, development and retention policies. In this way, all those responsible for people-related practices are exposed to the risk that they fail, helping to ensure stronger management of the overall human resource environment. There is a revenue impact line as well as a cost efficiency line.

Talent portfolio management

The concept of talent portfolio management involves taking an investment based strategic approach to the management of human assets. Just as certain capital markets activity involves the management of asset portfolios, one can conceive of a talent portfolio segmented into different human asset groups – for example front-office 'stars', their teams and people in key support roles. CEOs can be seen as chief talent officers/chief (people) investment officers, divisional managers (for example, fixed income, equity) as divisional portfolio managers, heads of lines of business (eg DCM, ECM, FIC) as business portfolio managers, human resource partners as portfolio analysts, and human resource specialists as people risk managers.

There is now a body of knowledge for human

A discrimination case could cost a company its reputation as well as money



If the more broadly defined people-related risk could be quantified, the amounts at stake would be eye-wateringly high

capital measures which can be used as part of a strategic approach to the management of human resources. The concept of talent portfolio management is to treat appropriate people as an investment, not a cost. It is a fundamental shift in perspective, implying an understanding of the organisation as a dynamic and complex system where the talent pool is segmented and each segment risk-managed by a business aware and business focused human resource department, equipped with appropriate systems and human capital related metrics.

The IFR report includes descriptions of statistical modelling that bears resemblance to other statistics-based models of risk. Exactly the same principles can be applied to people. If one has data on starters, leavers, promotions and bonuses, and on turnover of upper-quartile performers, for example, one can gauge the probability that a promotion or a bonus will help to retain a top performer. Once this is integrated into the management of the organisation, then approximate measures of return on investment for people-related initiatives can be made. For example, if it can be statistically demonstrated as probable that a bonus, promotion, leadership development or new assignment, will help to retain strong performers, the extra returns from this retention can be estimated and compared with the initial investment.

There are huge difficulties with modelling, because organisations are complex and dynamic. But meaningful measures can and have been developed. Moreover, there is a direct impact on company performance and share price arising from the internal dynamics of the human resource environment. Stock analysts are starting to look more seriously at indicators such as management strength, succession plans and employee engagement surveys, and some bank CEOs are sharing these as part

of their quarterly analyst briefings. Organisations are increasingly building such measures into the management of their investment in talent.

The business manager quoted above indicates that the historic reticence to do this may actually be because the sums at stake are embarrassingly high, rather than hard to quantify. It may also be difficult to acknowledge just how large a proportion of company value has historically been put at risk through the lack of a strategic or systematic approach to talent management.

Progressive approach

It is likely that a progressive and strategic approach to talent management also engenders a climate in which individuals are less likely to be unsupervised, make serious errors, or take the employer to a tribunal. Thus, a focus on people related risks, outside of market and credit related risks, will allow organisations to satisfy their regulatory responsibilities.

The emphasis on a risk-based approach in the Financial Services Authority's N2 regulations puts the focus firmly upon vetting, competence and probity of individuals and teams. As PricewaterhouseCoopers noted in 2001, shortly after the regulations came into force: 'The arrival of N2 heralded a fundamental shift towards the importance of people management in firms' compliance and risk management strategies ... Firms will need to look carefully at the following to ensure they remain compliant as well as competitive: the positioning of human resource management as part of corporate business planning; the relationship between human resource management, risk management and compliance, and the use of measurement in human resource management to show compliance.'

It is often supposed that compliance with regula-

tions is a dead weight for employers. But if a strategic approach to talent that involves putting some measures on risks and returns, and which is geared towards commercial objectives, also helps to ensure compliance with FSA rules, this represents a significant opportunity for employers in the financial services industry to secure an effective 'win-win'.

At Citigroup, who are featured in the IFR report, risk management and people management are considered jointly, and there is a comprehensive range of performance measures. In part, this move came as a response to the Enron scandal.

Risk management is seen as a dimension of people management, and vice versa, says a senior human resource professional. He says that reputational risk is where people are not aligned with the organisation's goals in respect of their responsibilities or behaviour. Other risks could come from employee litigation – a discrimination case could cost the company its reputation as well as money.

The Royal Bank of Scotland has a human resources risk team, and produces a monthly people-related risk report. Morgan Stanley also produces a set of monthly risk reports for the bank's risk committee, while Lehman Brothers has hired a McKinsey consultant to work on people-related economic models.

One of the major challenges in this area is that responsibility is spread so wide within an organisation, while another is that risk is accentuated because of the highly mobile nature of people. All managers are, in part at least, responsible for the conduct and engagement of the talent in their teams, and do well to remember that these assets have legs.

Successful approaches to risk and talent management tend to involve leadership from the top of the organisation. Where a CEO sees him or herself as the chief talent officer/chief investment officer, responsible for the nurturing and performance of people within the organisation, that company is better positioned to maximise performance.

Paul Aldrich is a partner in global search firm CTPartners and the author of 'Talent Portfolio Management: Leveraging Human Assets in Capital Markets and Investment Banking', published July 2007 by IFR, [www/ifr-marketintelligence.com/TALENT_PORTFOLIO_MANAGEMENT/Overriding.aspx](http://www.ifr-marketintelligence.com/TALENT_PORTFOLIO_MANAGEMENT/Overriding.aspx)

Paul Aldrich

From: Burke St. John
Sent: 23 October 2007 18:14
To: Paul Aldrich
Subject: Re: John Bradley, Global Head of HR, JPMorgan and Mike Cavanagh, CFO, JPMorgan

You bet. Both guys are current clients! Nice work.

Burke St. John
Vice Chairman
Global Head of Financial Services
CTPartners
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New York, NY 10036
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(Cell) 917-536-8144
bstjohn@ctnet.com

----- Original Message -----

From: Paul Aldrich
To: Burke St. John
Cc: Deirdre Kenny; Jennifer Silver; Jenni Prior
Sent: Tue Oct 23 12:59:09 2007
Subject: John Bradley, Global Head of HR, JPMorgan and Mike Cavanagh, CFO, JPMorgan

Dear Burke,

John Bradley just called having received the Exec Summary of the IFR Report and the report itself. He thinks that its content is very timely for them in terms of current internal debates. He will review it further, come up with a plan, and invite me and maybe others from CTPartners to go in and discuss the findings in more detail.

He is unsure on the exact format, content and audience but will work on this and call me back. Mike Cavanagh, CFO, also received the letter signed by you and me and had contacted John asking him to follow up.

Quite gratifying really - it makes everyones efforts worthwhile.

Best regards,

Paul Aldrich
Partner
Financial Services

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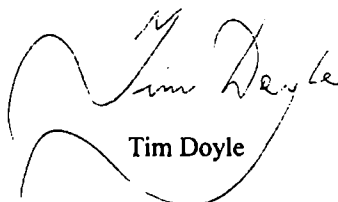
SW1E 5JL

11th October 2007

Dear Paul

Thank you for your letter of the 10th October enclosing a copy of your thesis. I have looked through the Executive Summary, some of the Case Studies and the conclusion;- it certainly adds significantly to the debate. I will read it through thoroughly and then talk to some of my colleagues in both London and Paris. It would be good if at some stage you were to come into the Bank to discuss your findings with some of the senior players in Paris and London.

yours sincerely



Tim Doyle

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Paul Aldrich

From: Wylde, Victoria [Victoria.Wylde@rbs.co.uk] on behalf of Daniels, Steve (Director, HR CM and GBM) [Steve.Daniels@rbs.com]
Sent: 05 June 2007 08:34
To: Paul Aldrich
Subject: RE: The IFR guys ..

Paul,

I would like to suggest that we get Neil Roden, Group HR Director, to write this forward.

Can I ask for some more information - I will need a draft of what you envisage the forward will say and a high level summary of the research. Can you also confirm timescales?

I will then speak with Neil.

I am in Asia for the week, but please liase with Vicky Wylde (0207 672 2490), in my office, if you need anything further.

Thanks,

Steve

> -----Original Message-----
> From: Paul Aldrich [SMTP:paldrich@ctnet.com]
> Sent: 21 May 2007 09:21
> To: Daniels, Steve (Director, HR CM and GBM)
> Cc: MCCORMICK, John, GBM
> Subject: The IFR guys ..
>
> *** WARNING : This message originates from the Internet ***
>
>
> Dear Steve,
>
> As you know the IFR would like to use some of the non attributable
> material from my research on a named (bank) basis for a report they
> are publishing and I believe they have asked or will be asking your
> permission for this.
>
> They have also asked me if I would recommend one of the top banks for
> their CEO to write a short forward for the report.
>
> I have told them that I will send you the final draft of the report so
> that RBS can have first refusal on this. I will not share this with
> any other bank until I hear from you.
>
> In my opinion RBS is probably further ahead than any of the other
> banks in your space and this may be really good PR the bank.
>
> I will therefore send you IFRs final cut so you can discuss internally.
>
>
> Best regards,
>
> Paul Aldrich
> Partner
> Financial Services
>
> CTPartners (UK) Limited
> 80 Victoria Street

Paul Aldrich

From: Nalbantian, Haig [Haig.Nalbantian@mercer.com][®] *World-wide Partner*
Sent: 18 August 2007 04:41
To: Paul Aldrich; phil@whiteleywords.com *Merce-Human Resources Consulting*
Subject: Re: Follow up ...

Guys, the person who heads Mercer's FS sector business segment globally is very interested in our idea about a jointly sponsored event to focus on HC management in the IB sector. She would like to try to organize for as early as October 2 or 5 in nyc. While that is a tight turnaround, we think it could be done and we could get a good group of companies to attend. Big question: will Thomson agree to be co-sponsor? Have you any news for me on that? I think the idea is still one in nyc another in London later. If you can confirm interest on Thomson's part I believe I can get our leadership to agree. I would then get the right people from both organizations on the phone, including the three of us, to work out the details.

Time is of the essence now. Any chance you can talk to Thomson on Monday?

Please advise.

Thanks,

Haig

----- Original Message -----

From: Paul Aldrich <paldrich@ctnet.com>
To: Nalbantian, Haig; phil@whiteleywords.com <phil@whiteleywords.com>
Sent: Thu Aug 09 19:48:49 2007
Subject: Re: Follow up ...

Absolutely.

Best regards,

Paul Aldrich
Partner
Financial Services

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-----Original Message-----

From: Nalbantian, Haig <Haig.Nalbantian@mercer.com>
To: Phil Whiteley <phil@whiteleywords.com>; Paul Aldrich
Sent: Thu Aug 09 11:58:46 2007
Subject: RE: Follow up ...

Sorry for the confusion. I think the idea was to use the publication of your study as the basis of a joint Thomson-Mercer Session on human capital management in the IB sector. We would try to bring together IB clients to discuss the findings of your work and Mercer's methodologies of HC measurement and management that you have kindly featured in the study. My thinking was one session in NYC, one in London.

Appendix Eight

Extracts from the UBS shareholder report showing failings in people risk management (UBS, 2008)

Appendix Eight: Human resource weaknesses cited by UBS

People risk not considered adequately in business strategy

Insufficient challenge of the business case and governance approach: The manner in which DRCM was established did not correctly weigh the strength of UBS as an organisation against the perceived importance, interests and demands of a few individuals, and allowed exceptional levels of autonomy within a complex and nonstandard governance model.

Added growth pressure for IB Fixed Income: DRCM was not viewed as an outsourcing of IB's Fixed Income capability. Rather, the IB intended to grow its own Fixed Income business, notwithstanding the loss of PFCA, a major component in the creation of DRCM. This in turn added to the pressure to grow IB Fixed Income.

Fixed Income Growth orientation: The IB was focused on the maximization of revenue. There appears to have been a lack of challenge on the risk and reward to business area plans within the IB at a senior level. UBS's review suggests an asymmetric focus in IB Senior Management meetings on revenue and P&L, especially when compared to discussions of risk issues. Business-peer challenge was not a routine practice in those meetings.

Lack of challenge within the IB to IB Fixed Income strategy: The review benchmarking UBS with peers that had been commissioned from an outside consultant, and the subsequent development and presentation of an ambitious Fixed Income growth strategy to the IB Management Committee and the GEB, were intent on closing perceived gaps to competitors, but apparently were not sufficiently challenged internally. In particular it seemed to be assumed that there were no infrastructure constraints that might affect implementation, that requisite skills existed or could be hired, or that there was no balance sheet utilization limit or other natural market barriers.

Limited substantive off-cycle strategic re-assessment within the IB: Notwithstanding quarterly meetings held by IB Management, there does not appear to have taken place a significant (re)assessment (or resulting change) in IB strategy outside the routine annual process over the relevant period. This seems to contrast with peer investment banks who conducted reviews more frequently.

Appendix Eight: Human resource weaknesses cited by UBS, cont'd

People risk not considered by senior business line management

Failure to own the business: Members of the IB Senior Management apparently did not sufficiently challenge each other in relation to the development of their various businesses. The Fixed Income strategy does not appear to have been subject to critical challenge, for instance in view of the substantial investments in systems, people and financial resources that the growth plans entailed.

People risk due to a lack of succession planning

Loss of senior Fixed Income risk management expertise in the IB: The creation of DRCM had a significant impact on the IB businesses and leadership, in particular as applied to Fixed Income. At the IB, there was a change in CEO and in Fixed Income leadership, and two key IB businesses (PFCA and CRE) were, from the IB's perspective, lost in the sense that considerable talents had moved from the IB to DRCM and were no longer available for the IB's own growth initiatives in that business field. The leadership changes also had an impact on the level of risk management expertise available at the IB, in particular as the IB's new leadership's acknowledged expertise was in sales and not trading (especially Fixed Income trading).

Lack of succession planning: On establishment of DRCM, leadership succession at the IB was identified on a reactive basis, rather than as a part of a wider and long standing succession planning arrangement.

People risk due to over utilised management bandwidth

Distraction for Senior Management: Both the formation and dissolution of DRCM were highly distractive for Senior Management. This arose in two key ways. Firstly, DRCM's formation required the focus of IB Senior Management and therefore reduced their ability to attend to the ambitious growth plans of Fixed Income. Secondly, DRCM's dissolution absorbed considerable time of both Group and IB Senior Management at a critical point in the deterioration of the Subprime sector.

Appendix Eight: Human resource weaknesses cited by UBS, cont'd

People risk due under resourced infrastructure support

DRCM's use of the IB's control framework and infrastructure platform: IB operational and logistics support and control oversight functions had to cover both the retained (and growing) IB Fixed Income business as well as the DRCM business (which was essentially a new business venture being built from scratch). Additionally, the ongoing discussions around establishment and implementation of the DRCM business and the complex issues it raised (e.g. a separate risk framework for the OIF and CFC) required substantial attention from members of IB, Global AM and Group Senior Management on an ongoing basis. Implementation of DRCM demanded substantially more resource commitment at all levels than was initially expected. These burdens played a role in reducing the ability of the control and logistics functions to investigate and respond to the exposures in the IB.

Gaps in risk management expertise / experience at the IB Senior Business Management level: The successors of the departing top managers in IB appointed in July 2005 had strong sales and client attributes, but it appears that neither had strong risk management backgrounds. A senior risk manager in Fixed Income was not hired, even though this had been planned in 2006.

Lack of recognition for required growth in supporting resources: There does not appear to have been investment in the type of control resources and infrastructure commensurate with the significant increases in volumes, revenues, and complexity of the Fixed Income strategic objectives. The systems infrastructure was not capable of capturing the complexities associated with some of the more complex Fixed Income products.

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