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Employer Research Survey: Business Ethics and Integrity are Valued Most by Financial Service Companies.

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Highlights:

- ❖ Regardless of company size or type, soft skills remain a vital component for employers:
 - Insurance companies place soft skills as the most cited overall criteria in their hiring decisions.
 - Banking companies give slightly more mention to soft skills than curriculum in hiring decisions.
 - Securities companies deem curriculum and soft skills as important hiring criteria, with curriculum given a slight edge.
- ❖ Financial services companies highly value industry specific work experiences when hiring new college graduates; however, it is not expected or required.
- ❖ Offering financial services curriculum is welcomed as highly valuable by financial services companies.

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College Recruiting Research for Financial Services

Networks Financial Institute contracted with Market *Vibes*, an Indiana-based market research firm, to conduct research on college graduate recruiting and hiring selection criteria in the financial services industry sectors of banking, insurance and securities. The research was conducted during the summer and fall of 2004 in two phases: a qualitative phase utilizing focus groups and a quantitative phase using a national telephone survey.

Methodology for the qualitative research consisted of focus groups conducted in Chicago and Indianapolis. Focus groups included 7 human resource professionals and 21 managers involved with college recruiting from the three industry sectors - banking (13), insurance (11) and securities (4). A sample of manager titles includes vice president of retail banking; vice president of finance; claims, property and casualty, or sales managers; and office or branch managers.

The quantitative phase included a total of 181 telephone interviews, completed with human resource representatives and hiring managers in financial services. The participants are experienced in recruiting new college graduates for their firms. Most participants interview recently graduated candidates during company visits and select candidates for potential hire. Some interviewees are involved in determining department placement and supervise, manage, or mentor new college graduates joining their companies.

The goals of the project are to understand the overall importance to prospective employers of the experiences and curricular training of recent college graduates, and the value of soft skills within the financial services sectors. Specific research objectives are to:

- Understand how employers rate the relative value of different types of experiences in their new college graduate prospective employees;
- Understand how employers rate the relative value of several soft skills when recruiting new college graduates;
- Understand the "leadership" skills employers most value in new college graduates;
- Assess the value to employers, if any, of industry-tailored curricula;
- Assess the courses that employers believe should be available in a financial services curriculum; and
- Understand financial services industry recruiting processes relative to the hiring of new college graduates.

Focus Groups (Qualitative Phase Findings)

Insights from the focus groups reveal that companies have recruiting processes that vary between informal and formal. Informal processes are not planned out or structured; they operate on impromptu, as-needed recruitment bases. Smaller companies or branch offices tend to have more informal college recruiting processes. Most of these companies do not have a dedicated human resources staff, so the hiring managers conduct the recruiting. Typically, a few colleges or universities are used which are local or regional to the hiring company or branch.

Larger companies have more formal, structured recruiting processes. Since they need more new college graduates, the recruiting efforts of larger companies are strategically planned out. They choose specific universities for networking, recruiting and marketing their companies. These companies may recruit on a regional or even national basis; ten or more schools are often selected for new college graduate recruitment.

Financial services companies use a variety of screening sources for their new hire recruiting, including online sources such as monster.com or hotjobs.com, employee referrals of candidates, on-campus recruiting visits or employment agencies. A few companies mention using assessments during their interviewing process to test math, English or business writing skills, general aptitude, personality or work style and computer literacy.

The qualitative research directionally indicates that some primary factors in selecting universities for recruitment purposes include:

- Majors or curricula offered;
- Size and location of universities;
- Reputation of universities and their recent graduates who have joined the hiring firm;
- Past success with graduates of that institution; and
- Job qualifications relative to curricular offerings.

Some companies choose universities for recruiting where they may have the least competition from other employers.

Findings vary between the three sectors of the financial services industry (insurance, banking, and securities). Insurance companies place soft skills as the most cited overall criteria in their hiring decisions. Curriculum and experiences are equally mentioned but less central than soft skills. Banking companies give slightly more mention to soft skills than curriculum in hiring decisions. The qualitative research insights reveal that prior experiences are not as central for banks and that banks are open to a variety of differing prior experiences. Securities companies deem curriculum and soft skills as important hiring criteria, with curriculum given a slight edge. Regardless of company size or type, soft skills remain a vital component.

Overall, while financial services companies highly value industry-specific work experiences when hiring new college graduates, the qualitative research shows that, while having direct

industry experience is considered advantageous, it is not expected or required. Banking and insurance place the greatest importance on industry work experience. Companies of all types do value summer internships.

Phone Interviews (Quantitative Phase Findings)

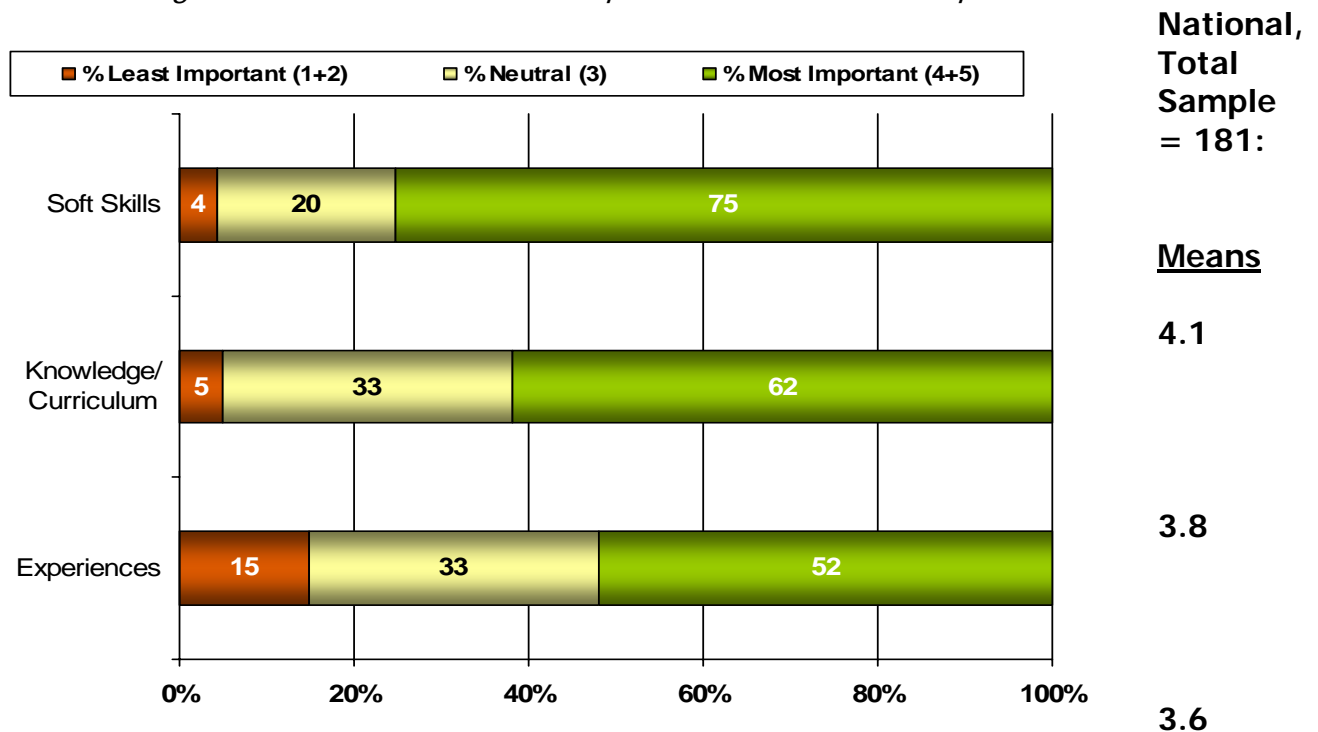
MarketVibes conducted 181 telephone interviews with human resources and hiring managers in banking, insurance, and securities companies. A Midwestern segment of the three industry sectors, defined geographically to include Indiana, Illinois (excluding the Chicago MSA), Ohio, Kentucky, Tennessee and Missouri, was separately researched.

Financial services companies place the most importance overall on soft skills, then curriculum and lastly experiences in their new college graduate hiring. They feel that soft skills are the most important predictor of success for new college hires in their organizations. Curriculum also plays a role, as anticipated. The research shows that having prior work experience in the financial services industry is not always a core expectation of employers, but rather is viewed by them as an added asset. Some insurance companies actually prefer their new hires to be internally trained on their processes and philosophies, which indicates a disinclination toward prior experience for their recently graduated new hires.

Illustration: Recruiting Overall Criteria – Importance (National and Midwest)

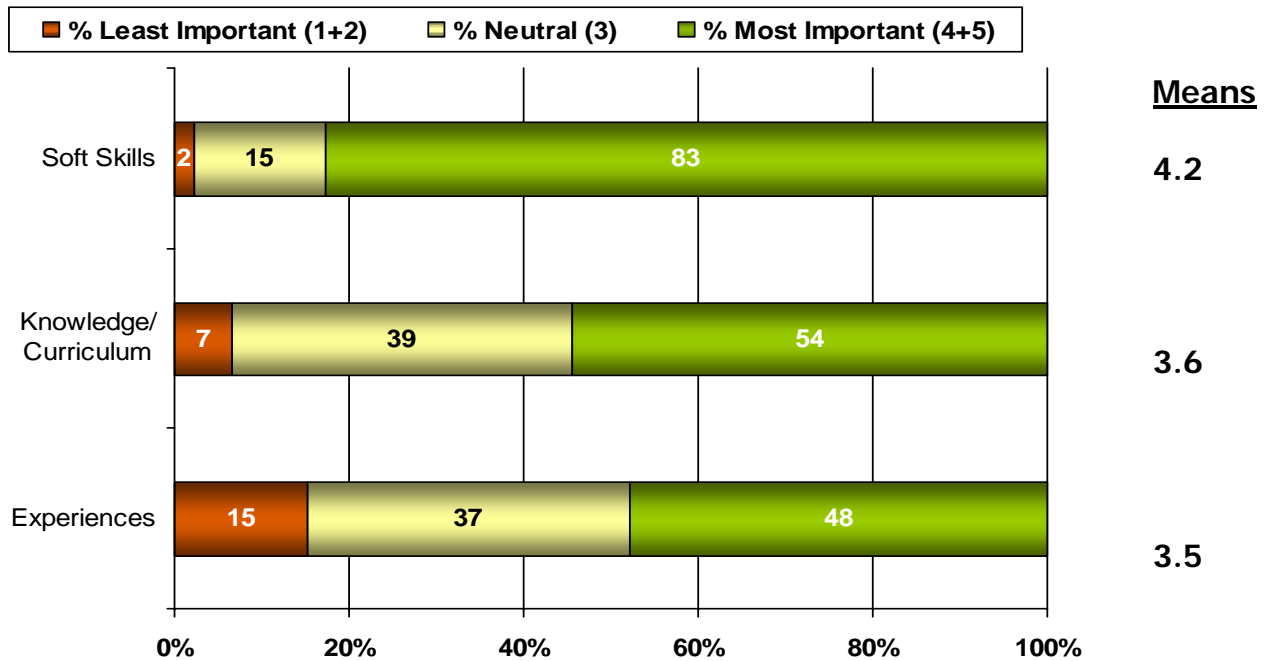
Survey Q16. Relative to these three categories, think about how IMPORTANT each category is as a predictor of new college grad hire potential success in your organization.

Use a 1 through 5 scale where 1 = Least Important and 5 = Most Important.



Source: NFI Employer Research, 2004

Midwest, Total Sample = 46:



Source: NFI Employer Research, 2004

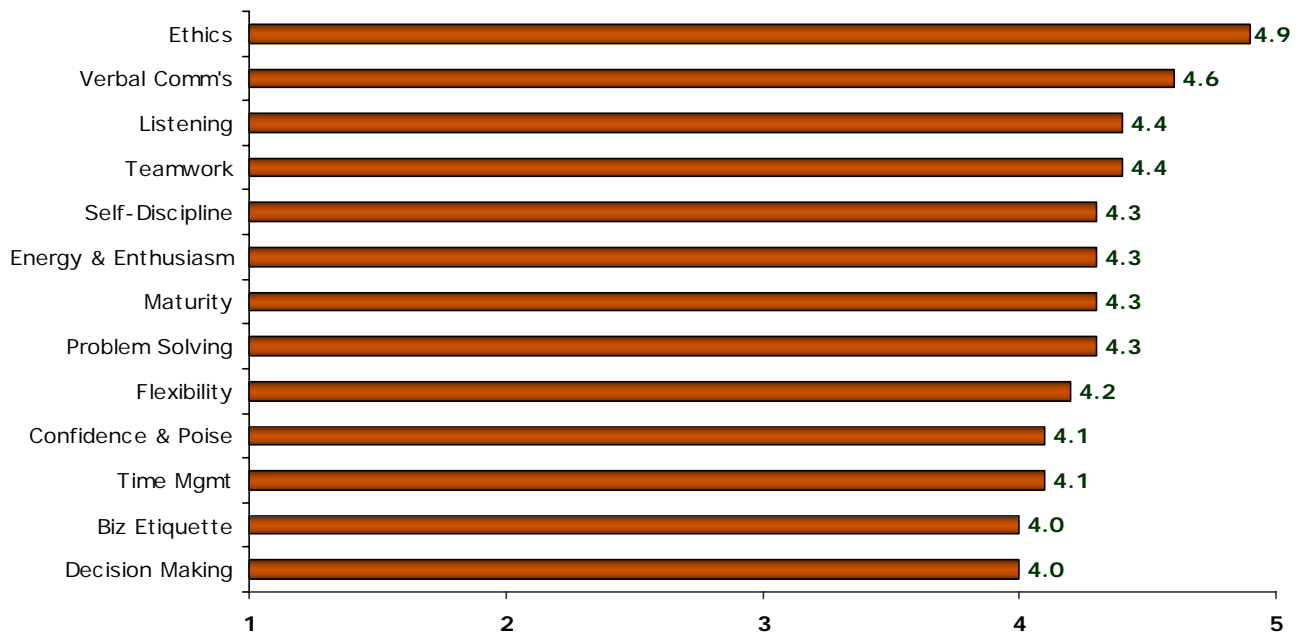
Relative Importance of Soft Skills: National and Midwest

A variety of soft skills are deemed important to financial services companies. The most important soft skills relate to business ethics (honesty and integrity), which is not surprising given recent business ethics scandals in the industry. Other important soft skills include communications (verbal and listening), teamwork, self-discipline, energy and enthusiasm, maturity, problem solving, flexibility, confidence and poise, time management, business etiquette, and decision making. Employers view project management, presentation and planning skills as the least important potential skills.

Illustration: Most Important Soft Skills, Total Sample

Q20. Relative to all other soft skills, how important is/are <INSERT CATEGORY> for new college grads using a 1 through 5 Least to Most Important scale?

National, Total Sample = 181:



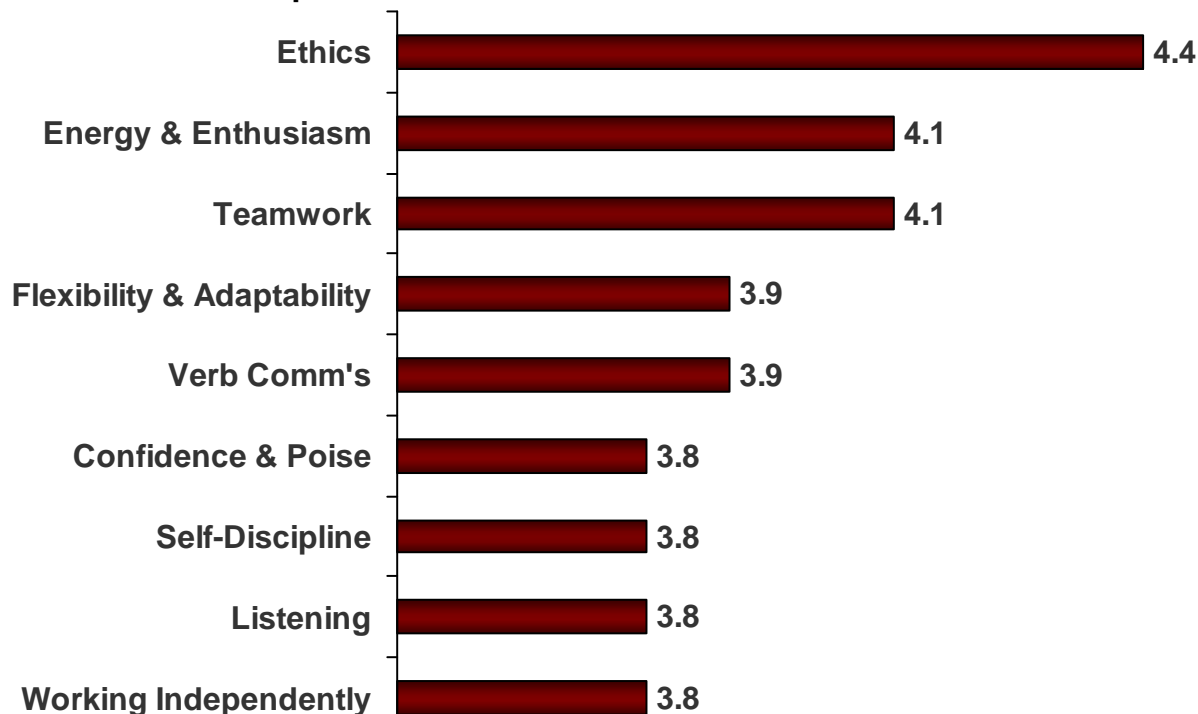
Source: NFI Employer Research, 2004

NFI's quantitative research asked the financial services companies to rate their recent new college graduates overall on the list of soft skills. The best performing soft skills in these companies include ethics, enthusiasm and teamwork. Other strengths include flexibility, verbal communications, confidence, discipline, listening and working independently.

Illustration: Soft Skills, Best Performers, Total Sample

Q21. How would you rate your recent new college grads on <INSERT CATEGORY> using a 1 through 5 Poor to Excellent scale?

National, Total Sample = 181:



Source: NFI Employer Research, 2004

Selection criteria that employers look for include good verbal, written and listening skills. Of particular interest to employers are direct customer interactions and the ability to present information in a persuasive manner and with confidence. Potential hires are evaluated for soft skills in a range of ways. They are assessed in interviews. Some are tested on their writing skills for business. Potential employers check work references, and they ask about group projects relative to teamwork, working with others, and situational behaviors.

Areas of possible improvement for new college graduates entering the financial services industry are problem solving, decision making, business writing, analysis and leadership potential. Some of the soft skills areas in which students perform worst are coincidentally rated as of least importance: project management, presentation and planning.

New college graduates struggle with limited knowledge of the broad range of financial products; they usually understand just one. In addition, they may have unrealistic expectations about advancement and often lack negotiating skills. Some want to win every workplace battle. Their project management skills, such as working in teams and managing deadlines, may prove to be a challenge. Other areas of possible difficulty include the ability

to present ideas and findings persuasively, their maturity level, and their business etiquette skills.

Relative Importance of Experience

Where prior experiences are concerned, a common theme is the importance of extra-curricular activities and student levels of involvement outside of their studies. Some employers put this ahead of actual work experience because they do not expect new hires to have high level work experiences. Leadership potential may be a plus, as demonstrated through student officer positions; these positions show that a student has been truly active, has initiative, and works with others. Employers express the necessity for graduates to be able to work in groups or participate in teams.

Where leadership-related skills are concerned, financial services companies largely feel new college graduates should be able to remain calm under stress, be able to present their ideas clearly and handle challenging work. They do not expect new graduates to keep others focused on priorities, challenge the way things are done, develop creative methods or make important decisions on their own.

Importance of Majors

Finance, accounting and business administration majors are the top three hired by financial services companies. Midwestern financial services companies also hire marketing, economics, management and banking majors. Predictably, banking companies tend to hire banking and management majors, insurance companies hire insurance or management information systems majors, and securities companies hire economics, management and marketing majors.

Illustration: Top 3 Majors Hired-by Segments

Q25. From the list of college majors your ENTIRE organization hires, which are the TOP 3 majors that you have had the most success with for new college grad hires?

Segment	Top 3 Majors
Midwest (all sectors)	<ul style="list-style-type: none"> ■ Finance (61%) ■ Accounting (59%) ■ Business Administration (46%)
Banking	<ul style="list-style-type: none"> ■ Finance (64%) ■ Accounting (51%) ■ Business Administration (49%)
Insurance	<ul style="list-style-type: none"> ■ Business Administration (53%) ■ Finance (42%) ■ Accounting (33%)
Securities	<ul style="list-style-type: none"> ■ Finance (73%) ■ Business Administration (47%) ■ Economics (36%)

Source: NFI Employer Research, 2004

Lastly, NFI asked financial services companies the value, if any, they place on their new college graduate hires having industry-tailored curricula. The four specific curricula discussed include financial services, investments, insurance and/or banking. The financial services curriculum provides the most overall value to these companies. Within specific sectors, only insurance companies placed more value on a curriculum focused specifically on their on sector rather than an integrated financial services curriculum.

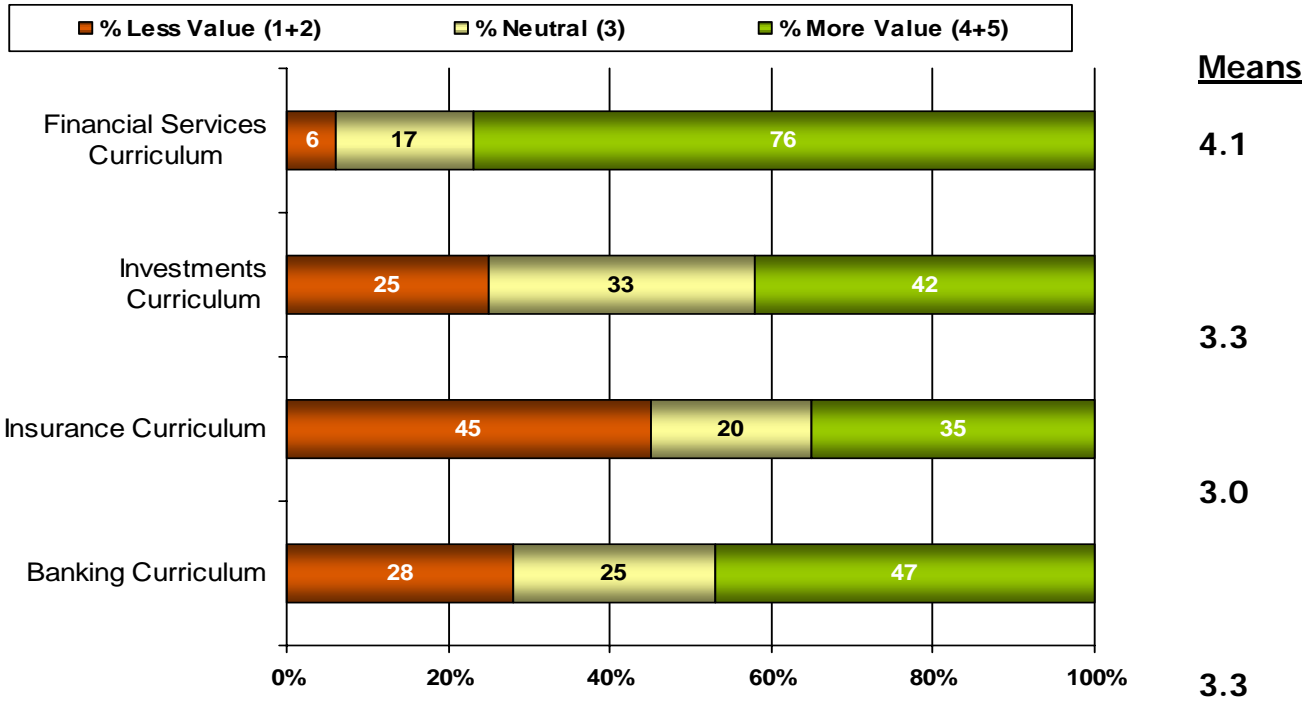
The main reasons that a financial services curriculum is most valued include the following:

- Employers envision this curriculum to encompass their organizations' core or main purpose, and it pertains to many areas of the financial services industry;
- This curriculum gives new hires a basic understanding of the industry, providing a good overview and foundation to build on; and,
- Having a financial services curriculum reduces the amount and costs of initial training for new college grade hires.

Illustration: Industry Curriculums, Total Sample

Q26. Using a 1 through 5 scale where 1 = Least Valuable and 5 = Most Valuable, what is the value of a/an <INSERT CATEGORY>?

National, Total Sample = 181:



Source: NFI Employer Research, 2004

Recommendations and Next Steps

Given the expressed importance of soft skills to financial services companies, key soft skills should be targeted as areas to coach, mentor and develop in new college grads entering the financial services employment market. Although work experience is least important compared to soft skills and curriculums, new college graduates could be even more attractive to potential employers if they possess direct industry experiences across one or two financial service sectors. Summer internships were noted as the preferred approach.

Offering a financial services curriculum is welcomed as highly valuable. Given this and other insights, it is recommended that colleges and universities pursue a financial services curriculum. Based on this research, the one common course that needs to be offered and even required in any business school curriculum is business ethics. A financial services tailored curriculum could be offered either as a major, minor or concentration. For small and medium sized companies involved in only 1 or 2 sectors, a minor or concentration may be adequate. Larger companies may see more value in a more complete curriculum offered as a major.

Dialogue with hiring financial services sector companies should take place to further define content and priorities of potential courses. Secondary research could be used to assess other universities' course offerings within a financial services curriculum. Additional primary research could be done once a financial services curriculum is devised as a final assessment of planned courses and their value.