eBook

Future-Ready CHROs: the AI Revolution in Banking HR

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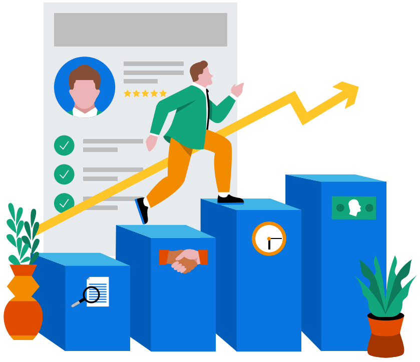
The banking sector is experiencing a paradigm shift, with chief human resources officers (CHROs) at the centre of the change. Traditional recruitment strategies are giving way to an approach focused on skills, propelled by artificial intelligence (AI) and digital upskilling. This transformation is crucial as banks compete with fintech start-ups and other high-profile sectors to recruit, develop, and retain talent.



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The new emphasis on skills rather than credentials is part of what's redefining the CHRO's role in banking. As Sophie Sharp, senior vice president, Global Industries and Value Management at Workday, observes: "The shifts in the workforce during and after COVID-19 have underscored the need for adaptability and have accelerated the imperatives for skills-based work." In other words, figuring out how employees could quickly pivot to other roles was essential. And modern HR systems, leveraging AI and machine learning (ML), are helping to streamline the skills assessment and development process, marking a significant departure from traditional, manual methodologies.

"In a lending business, this is particularly key," says Sharp. "The volume moves up and down very quickly based on the rate environment. And having a skills-based approach brings a lot more agility into play, versus the traditional idea of hiring for growth, and downsizing for shrinkage."

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Senior Vice President, Global Industries and Value Management,
Workday

Navigating the talent challenge.

Banks face intense competition for talent, not just from fintechs but also across various work sectors. AI helps CHROs identify existing talent within their organisation, spot skills gaps, and attract new talent. As banking services increasingly digitalise, the sector's talent profile is beginning to resemble those of tech, transportation, and healthcare—hence, competition is increasing. Given that strong employee engagement leads to robust customer engagement, this new talent landscape requires a strategic rethink.

The evolving labour market compels CHROs to foster skills development internally. AI's role in this is twofold: it can enhance decision-making and predict skills gaps while ensuring an inclusive talent management process. As a recent report from Boston Consulting Group highlights, generative AI is transforming the way human resources works, from enabling bespoke HR self-service capabilities to creating a more comprehensive talent ecosystem—allowing organisations to meet the challenges of a dynamic workforce landscape.

AI's integration into HR goes further than operational efficiency: it's about harnessing human capital data as a strategic asset. Binoy Palakkal, principal, Advisory, C&O Financial Services, KPMG, points out the importance of using AI in workforce management to analyse employee lifecycle, talent identification, and retention strategies. "Banks can also leverage AI to assess company strategy and transformation plans, economic conditions, and job market data to preempt skill shortages and better plan for retention and hiring," Palakkal says.

This approach aligns workforce planning with long-term operational objectives, turning employee data into a strategic advantage. With finance, operational, and people data all on one platform, for example, a company ecosystem can be developed more effectively.

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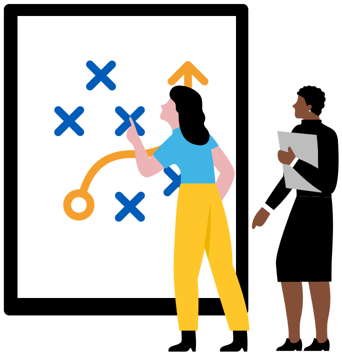
Integrating AI responsibly.

However, deploying AI in HR brings its own risks. Palakkal warns of potential issues related to security, bias, and reliability. Ensuring the responsible and ethical deployment of AI is very important, making collaboration between developers, regulators, and employers essential. “Employers will also need to provide reskilling opportunities to help their personnel transition as AI expands in the industry,” Palakkal says. “Addressing these risks and concerns is essential to ensure that the adoption of AI in banking is responsible, safe, and transparent for all involved.”

In banking, AI is less about replacing roles and more about enhancing human capabilities, freeing up professionals to engage in more strategic work and fewer routine tasks. “By automating your core operational processes, you’re increasing efficiency while lowering risk,” says Sharp. A focus on ethical AI is also crucial, not only for compliance with global regulations, but also for maintaining customer trust. It’s a powerful tool, yet at the heart of every AI initiative there will be a human in the loop.

Fostering the human workforce.

CHROs in banking must lead the change, rather than just adapt to it—because this transformation is not only about embracing new technologies, but also about reimagining talent management in order to foster a workforce that will keep the banking sector dynamic.



As banks navigate this new landscape, the integration of AI in HR practices will demonstrate the sector’s commitment to staying ahead in a competitive and ever-changing environment. “AI helps the CHRO to use human capital data as a strategic enabler and driver of change management,” says Sharp. “Because without the data and the right human insights to make the case for innovation, it’s just going to feel like an HR exercise when it is, in fact, a future-of-the-company exercise.”

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