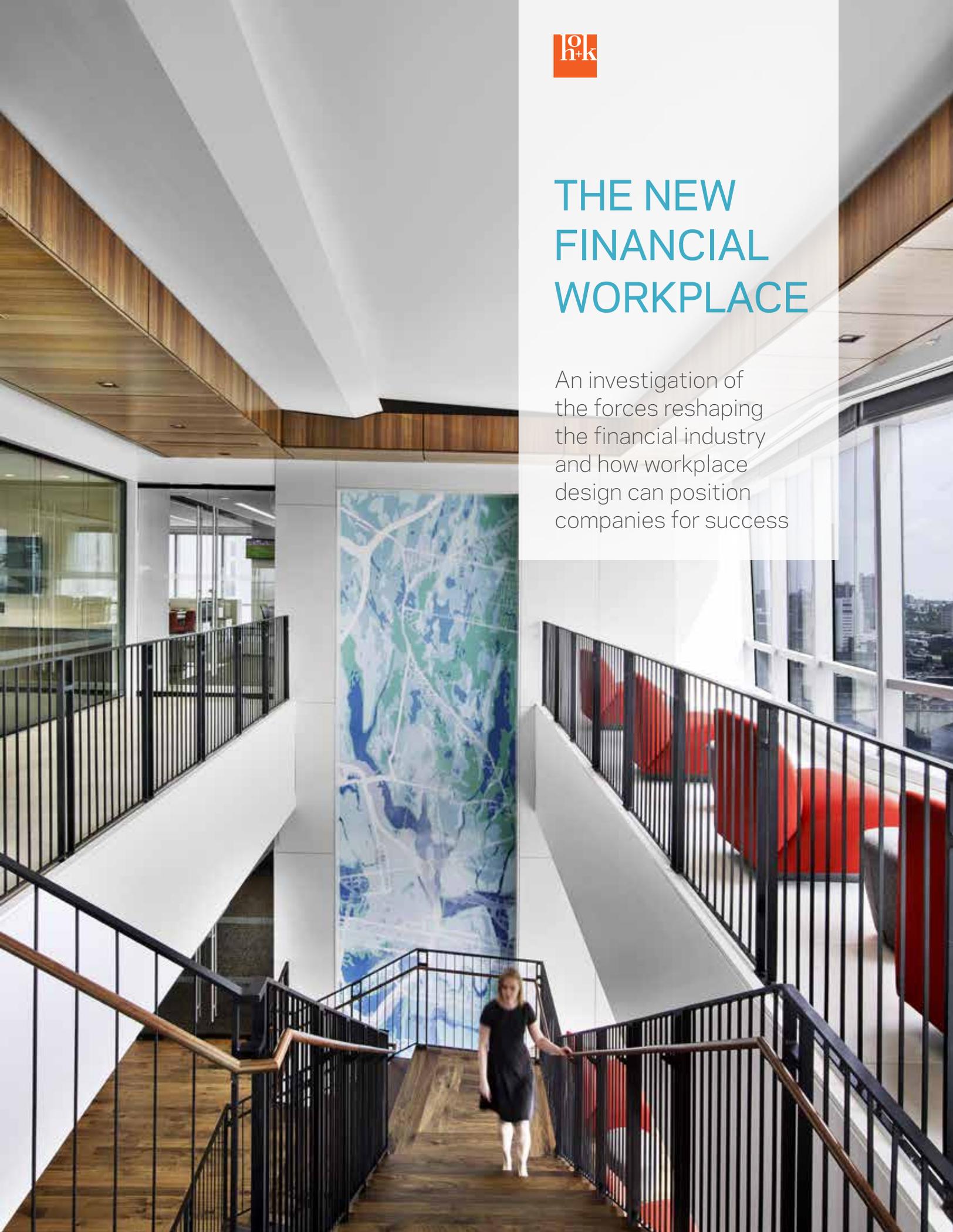




# THE NEW FINANCIAL WORKPLACE

An investigation of  
the forces reshaping  
the financial industry  
and how workplace  
design can position  
companies for success



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# The New Financial Workplace

An investigation of the forces reshaping the financial industry and how workplace design can position companies for success.

## PREFACE

As the Bob Dylan song goes, “the times they are a-changin’.” Change isn’t new but it’s happening faster than ever. Financial institutions and investment banks are accustomed to weathering economic, regulatory and geopolitical shifts. Today, however, changes in technology—including artificial intelligence, cryptocurrency and data analytics—are challenging legacy players in unprecedented ways. Questions about how these changes will affect real estate and facilities are keeping members of the C-suite up at night.

In recent years office space has gone from being the only place of work to one of many in an entire ecosystem of choices. The workplace is evolving to accommodate the different needs of industries, organizations, work styles, regional influences, cultures and demographics.

In the financial sector, lean operations and efficient space use are priorities across the portfolio, from trading floors to

branch offices. But it’s the needs of the people who inhabit this space—employees, customers and partners—that matter the most. The workplace must work for them.

As the nature of work continues to change in the financial industry, the workplace is adjusting with it. In the near future, the convergence of technology and financial services could result in financial services companies increasingly adopting the cultures and workplace design practices of the technology industry.

Well-designed space can be a powerful business tool. We hope this deep dive into what our research and experience has revealed about workplace challenges in the financial sector helps corporate real estate and facilities groups bring C-Suite, HR, IT and other leaders into the ongoing conversations about how to unlock the true potential of their space. Readers can use this report as a guide for making their own strategic and design decisions about the workplace.



Nasdaq Office, Philadelphia, Pennsylvania  
Photo courtesy of Eric Laignel

“We build space to attract people from Google. As we observe them after they’re in, it’s not the fancy laptops or equipment or even the space they value—it’s the cultural aspects.”

— Gus Scaiano, Scotiabank

## METHODOLOGY AND PARTICIPANTS

For this report HOK challenged our WorkPlace leadership team and global delivery network partners worldwide to identify trends and upcoming challenges for financial institutions and investment banks. We asked our research partner, Global Workplace Analytics, to do the same. We also conducted a global survey of financial services firms that assessed how they are responding to their unique workplace challenges. We focused this research on office space but included workplace trends related to retail banking. Our WorkPlace team then hosted a series of think tanks with leading financial industry clients in London and Toronto in which we discussed their best practices. Finally, to find out how the industry is evolving, we compared our new findings to the data reported in our 2014 “HOK Benchmarking Report.”

HOK’s team for this report included:

- Lisa Brinkman, Vice President, Regional Leader, Space Management and WorkPlace, New York
- Lorraine Fisher, Principal, Director of Interiors, Philadelphia
- Pam Light, Senior Vice President, Regional Leader, WorkPlace, Los Angeles
- Beate Mellwig, Vice President, Practice Leader, London
- Tom Polucci, Senior Principal, Firmwide Director of Interiors
- Jonathan Rae, Vice President, Senior Regional Leader, Tampa
- Genny Rose, Senior Associate, Program Lead, Toronto
- Kay Sargent, Senior Principal, Director of WorkPlace, Global
- Sharon Turner, Senior Vice President, Regional Leader, WorkPlace, Toronto
- Gordon Wright, Senior Vice President, Director of WorkPlace, Global

Financial institution contributors were ATB Financial, BlackRock, HSBC, Morgan Stanley, Royal Bank of Canada, Scotiabank, TD Bank, BMO Harris, HSBC, Sun Life Financial, Bloomberg, Northern Trust, Goldman Sachs and State Street Bank.

# THREATS AND CHALLENGES

Among industry sectors, the banking, financial services and insurance (BFSI) sector has historically been the most sensitive to real estate costs. Financial institutions and investment banks survived the global financial crisis of 2007–2008 by strengthening their balance sheets, trimming costs, reducing their real estate and improving their agility. Large financial institutions began to reallocate their investment dollars from personal lending to wealth management and investment banking. But with a 2.2% growth in hiring, the finance and insurance sector is lagging behind the U.S. national average of 3.6%.<sup>1</sup> As these organizations look for ways to cut costs and increase revenue, the top expense remains human capital—followed by real estate and technology.

“For every four capital dollars we’re spending on space we’re spending one for technology.”

— Gus Scaiano, Scotiabank

## CHANGING ECONOMICS

The decade ahead will test the ability of traditional industry leaders to stay profitable in the increasingly competitive, disaggregated financial food chain. Among their threats:

- The commoditization of products and services, increased price transparency and low migration friction (the ease of changing providers) are chipping away at customer relationships.
- Current low interest rates limit what lenders can charge on loans.
- A likely ebb in economic cycles could lead to reduced spending and borrowing.
- There is a shift away from cash, card-based transactions and traditional payment processing to new payment systems. Companies will need to fight for or replace this significant revenue source.
- We are seeing reduced buying power among many new-generation workers, who are burdened by student debt and putting off starting families and purchasing homes.
- The rise of the sharing economy for cars, real estate and even homes will continue to decrease purchases and related loan activity.
- An underfunded social security system in the U.S. and rising healthcare costs will threaten the buying power of older citizens.
- The current U.S. administration’s proposed corporate tax cuts will add to the national debt.



Pritzker Group Headquarters, Los Angeles, California  
Photo courtesy of Eric Laignel

## GEOPOLITICAL FACTORS

The U.K. is still feeling the effects of the 2016 Brexit vote, which sent ripples through the world's financial markets and left investors anxious about uncertainty in Europe.

If it is not part of the EU anymore, the UK—with London, the global financial capital—will lose 'passporting' rights, the ability to set up branch offices or sell financial products in all other EU member states. Many financial services companies thus are looking to relocate a portion of their operations to other cities in Europe, including Frankfurt, Dublin, Paris, Amsterdam, Luxembourg City and Brussels.

The rise of nationalism, the stability of foreign currencies and governments, and tensions in international relations also are weighing on global labor, outsourcing and expansion opportunities. And the rise of China as a world economic (including financial services) superpower provider and its role as "America's largest banker" gives it leverage over the U.S. economy.<sup>2</sup>

## SHADOW BANKS AND OTHER NONTRADITIONAL COMPETITORS

Unencumbered by legacy systems, processes or thinking, new and nontraditional market participants pose an enormous threat to business as usual. In EY's 2016 Global Consumer Banking Survey, 40% of the respondents had used a nonbank financial services provider in the past year. Another 20% foresaw using one in the near future.<sup>3</sup>

Hundreds of technology-based financial services (fintech) startups already are engaged in wealth management, consumer and commercial lending, and virtual banking.<sup>4</sup> Fintech companies also are focusing on mobile mortgage transactions, student loans, financial advising and moving funds between countries. Quicken Loans quickly became the second-largest retail mortgage lender.<sup>5</sup> And in the first three quarters of 2016, nonbank lenders accounted for 80% of FHA mortgages—up from only 9% in 2010.<sup>6</sup>

These startups and nontraditional financial competitors including Google, Amazon and Alibaba have lower overhead and are more agile. As these new entrants to the market cherry-pick the high-profit, low-risk parts of their businesses, financial institutions will need to rethink what they do and how and where they do it.

Many of these nontraditional banking companies have a competitive advantage because they fall outside the purview of state and federal banking regulations. Even as lawmakers fight over who should regulate these so-called "shadow banks," they are winning customers and potentially bringing new risks—including losing consumer trust—to the financial system.

A 2017 paper by collaborators from Stanford, Columbia and University of Chicago notes that 55% of the growth of shadow banks from 2008 to 2015 was due to the regulatory

burdens imposed on traditional banks since the 2010 passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Another 35% of that growth was attributed to their use of better technology.<sup>7</sup> In other words, since nonbanks have not had to comply with the requirements placed on the sector in the wake of the global financial crisis—which was triggered by shadow banks—they can take more risks while using better data and technology to do it.

In his book, "Stress Test," ex-U.S. Treasury Secretary Timothy Geithner writes that "safeguards for traditional banks weren't tough enough [...] but what made our storm into a perfect storm was nonbanks behaving like banks without bank supervision or bank protections."<sup>8</sup>

Meanwhile, many believe the Trump administration's pledge to rewind Dodd-Frank, though welcomed by some industry insiders, could trigger another financial disaster. Either way, ambiguity over if and how shadow banks will be regulated will continue to cost traditional players both dollars and customers.

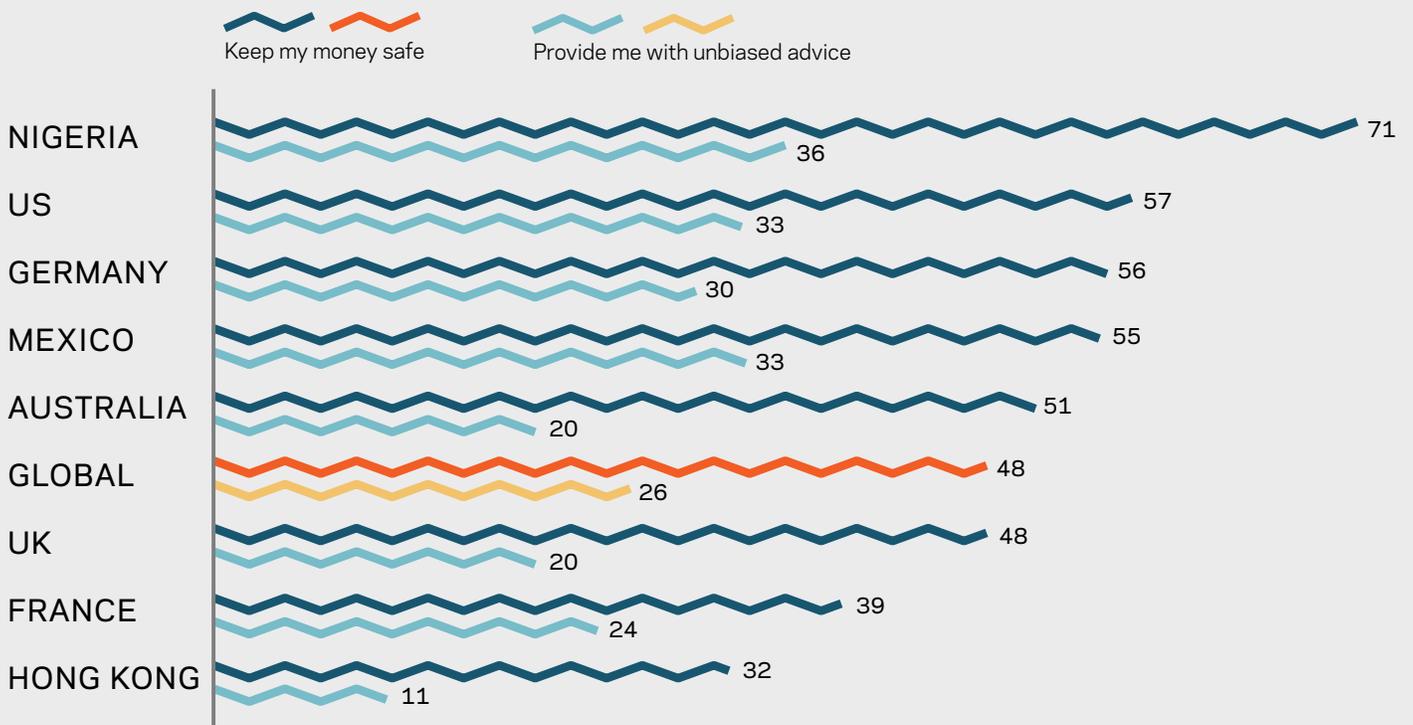
Tech giants like Google, Amazon and Facebook have far more experience than most financial institutions with cloud computing, artificial intelligence and "big data" analytics. Amazon Web Services, the company's cloud computing business, already is offering its services to large U.S. banks. Many major financial firms are relying on these companies for everything from data storage and processing to use of their data analytics to collect information on users and target customers. If they are willing to comply with additional regulations, these companies will disrupt the sector.

"AI is going to be huge, it will affect the way you build spaces. But we are not looking to get rid of people, we're just retraining them."

— Colleen Baldwin, Scotiabank

figure 1

## COMPLETE TRUST IN PRIMARY FINANCIAL SERVICES PROVIDER (PFSP) (%)<sup>9</sup>



### TO REGAIN TRUST, COMPANIES MUST

**BE TRANSPARENT.** Today's consumers demand transparency. New players offer it. Web outlets deliver it. Regulations increasingly require it. And the media is all over it.

**DO GOOD.** People care about the kind of company they are dealing with. How employers treat their people, their community, the environment and their customers matters.

**MAKE IT EASIER, BETTER AND INTUITIVE.** The best the customer has seen is the least they expect. The future is about the experience in both the physical and virtual worlds. Companies like Apple, Amazon and Google have set a high bar.

**INCREASE EFFICIENCIES AND REDUCE COSTS.** Newer, more agile players are unencumbered by legacy processes, technologies, physical assets and thinking. Traditional players should reevaluate their products, services and geographic focus.

**PROVIDE SECURITY.** Safeguard customers from data breaches and cybersecurity threats. Protecting them from hacking and fraud, transparently complying with regulations and securing their personal data all are critical.

### TALENT WAR

With ideas and knowledge driving today's economy, people are the chief currency of business. Silicon Valley and the rest of the tech world are luring many talented professionals away from the financial services sector. These former employees then can turn around and help them replicate key profit sources such as payment systems, consumer and business lending, and investment advisory services.

### REGAINING TRUST

Trust is paramount to the success of a financial institution. Yet public mistrust of financial institutions lingers from the 2008 crisis. Having a big name, prestigious Wall Street address or convenient location no longer translates into winning or keeping customers or employees (*see figure 1*).

Despite having some misgivings about financial institutions, most consumers still trust banks to keep their money safe. The "Global Consumer Banking Survey" issued by EY in 2016, which surveyed 55,000 banking consumers in 32 countries, revealed that 93% of all consumers believe their money is safe in established brick-and-mortar banks.<sup>10</sup>

# DISRUPTIVE TECHNOLOGY

The reality today is that financial institutions must become tech companies. To make that transition, many large financial institutions are expanding their expertise—often by acquiring small companies. Folding these smaller, agile startups into their large organizations and corporate cultures can be challenging. But to keep the most talented people from these companies and gain the most value from their acquisitions, financial companies must adapt their workplaces. The space for these blended companies has to address the entrepreneurial spirit of the employees and meet the needs of the blended workforce.

Keeping up with new technologies, deciding when or if to adopt them, and anticipating their impact on people, places, products, processes and services demands the constant attention of the C-suite. Whether it comes from outsourcing, partnering with more agile players or investing in proprietary IT, the ability to make quick technological shifts will be crucial to the survival of traditional financial companies.

First Tech Federal Credit Union, for example, is a \$10 billion institution based in Mountain View, California, that began offering online banking as early as 1989. It launched a mobile banking platform in 2000 and began biometric security in 2007.

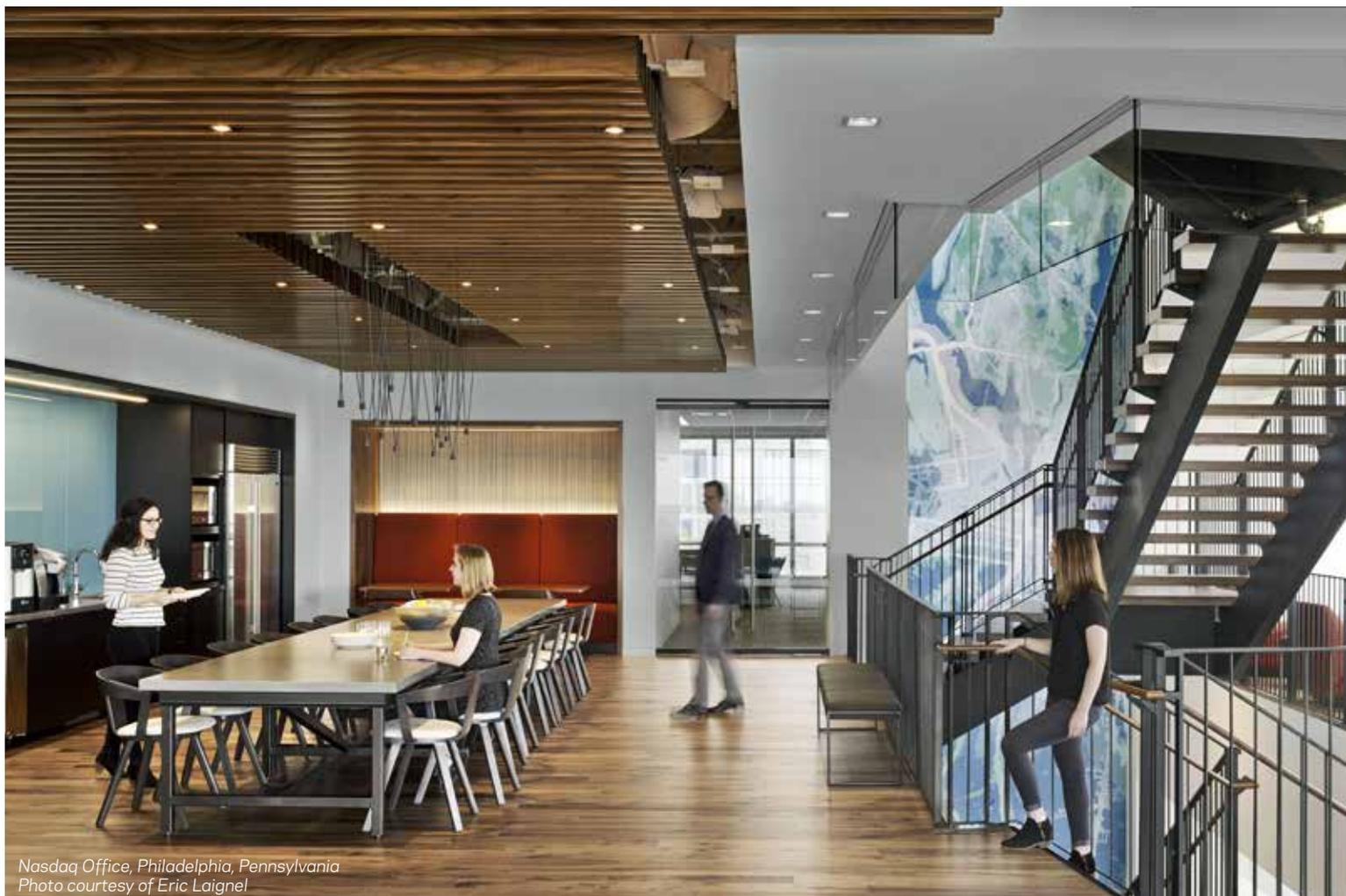
The credit union wants to be accessible to its members any time via a variety of options—branch, computer or phone—and to offer high quality engagement. It also plans to be the first fully virtual U.S. credit union, relying on a fully cloud-based infrastructure rather than traditional data centers.

Technologies with potential to disrupt the financial services industry include cryptocurrency, biometrics, blockchain, cognitive computing, open banking and interactive teller machines.

Customer-facing areas and backroom operations still will require smart people. There will always be some things people do better than machines, and an emoji just isn't as comforting as a real smile. The key will be finding the right mix of technology and people.

## CRYPTOCURRENCY

The Bank for International Settlements (BIS), the Basel-based “bank for central banks,” is advocating for central banks to embrace digital currencies and consider the potential to eliminate the need for physical cash.<sup>11</sup> BIS believes that cryptocurrencies are more efficient for transactions and allow for anonymity. The cryptocurrencies are facing significant volatility, regulatory issues and concerns related to the fate of the traditional banking system. In September 2017, for example, China banned its mainland residents from using bitcoin and digital currency exchanges.



Nasdaq Office, Philadelphia, Pennsylvania  
Photo courtesy of Eric Laignel

## BIOMETRICS

The use of unique physical features such as iris and fingerprint recognition or voice identification to authenticate a user can reduce the need for passwords and provide faster, more secure access to services. Companies including Lloyds Bank, Bank of America, HSBC and Rabobank have embraced the use of biometrics. MasterCard is launching a “selfie pay” system that uses facial recognition to allow smartphone users to authenticate their identities while making purchases.

## BLOCKCHAIN

Blockchain technology is emerging as the future of transaction processing in financial services. Blockchain is used to cryptographically secure distributed ledgers and create tamper-proof transactions. It provides a faster, more cost-effective way to complete transactions. A “block” of data containing basic information—sender, receiver, date/time, asset type, value and quantity—is created and stored on a network of computers in lieu of a central location. These blocks are linked directly to the previous one, creating a “chain” that can’t be altered.

Blockchain will affect both business-to-business (B2B) and business-to-customer (B2C) authentication in coming years, and also will be leveraged in real estate markets. Though still relatively untested, blockchain could expedite transactions and provide better tracking of exchanges. It also could reduce the amount of required information and documentation, streamlining transaction processes.

In early 2017 it was announced that seven financial institutions planned to collaborate on a blockchain cross-border trade finance platform called Digital Trade Chain (DTC).<sup>12</sup> The companies are Deutsche Bank, HSBC, KBC, Natixis, Rabobank, Société Générale and UniCredit. Eighty percent of all banks were expected to launch blockchain projects by the end of 2017.<sup>13</sup> Cloud platforms offering blockchain as a service could drive down the costs of experimentation and accelerate the adoption by all financial services firms.

## COGNITIVE COMPUTING

New advancements in computational artificial intelligence (AI) could begin to reshape the workforce. “Chatbots,” computer programs that use AI to mimic audio or text conversations, already are being used to assist customers. Machine learning, advanced and predictive analytics, and speech recognition—tasks that mimic the human brain—are being introduced. Analytical tasks such as predicting default rates on loans, assessing stock performance and determining insurance premiums could soon be performed by machines. Raiffeisen’s flagship branch in Zurich has incorporated a robotic retrieval system that gives customers 24/7 access to their safety deposit boxes.<sup>14</sup>

Citigroup recently reported that 30% of bank jobs could be eliminated between 2015 and 2025, primarily due to retail banking automation.<sup>15</sup> This could improve efficiencies but will require staff to shift to other lines of business, perhaps retraining to acquire skills to support a new robotic process automation (RPA) business unit.

## OPEN BANKING

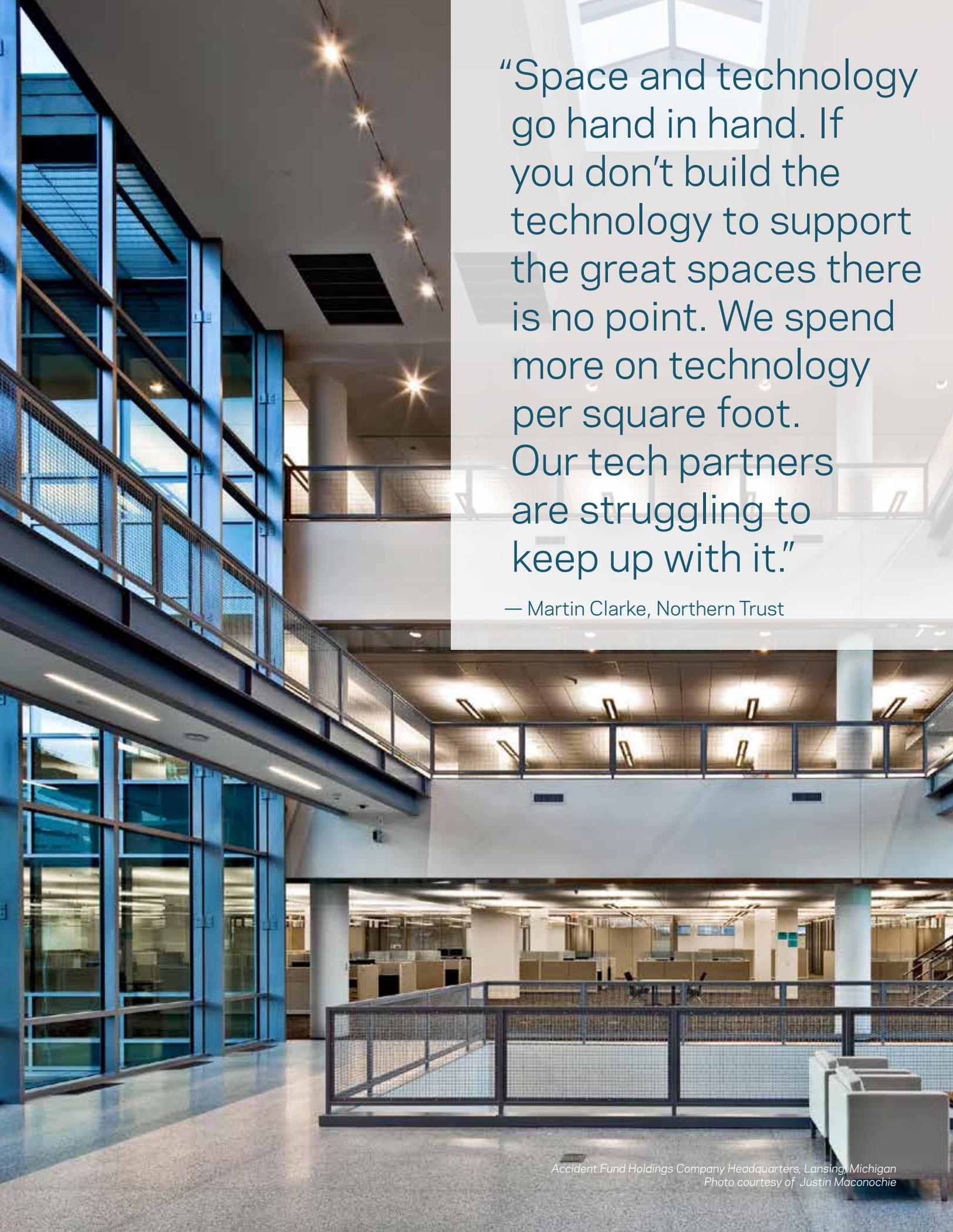
Set to take effect in early 2018, the European Union’s revised Payment Services Directive (PSD2) will allow a bank’s customers to use third-party providers to manage their finances from existing bank accounts.<sup>16</sup> With the goal to increase competition, drive development of new online services and improve customer service, this will require that banks give other financial institutions access to their customers’ online accounts through open APIs (application programming interfaces) with consent from account holders. In this model, customers will have access to “open platforms” to compare pricing of service providers.

## INTERACTIVE TELLER MACHINES

As with ATMs, interactive teller machines (ITMs) have cash dispensers and check scanners. But they also have a camera and a human teller on the other end who can see and interact with customers. Centralizing tellers reduces costs, improves security and provides new opportunities for personal interactions with customers in locations where advisors aren’t physically available.

“I don’t think the real estate side has been exposed to how the business is trying to tackle fintech. The huge issue is AI and we are all trying to figure out if we will need the growth we are planning for.”

— Roundtable participant, confidential financial services company

A photograph of a modern, multi-story office building interior. The space is characterized by large glass windows and railings on multiple levels. The lighting is warm and modern, with recessed ceiling lights and track lighting. The architecture is clean and functional, with a focus on open-plan spaces and natural light.

“Space and technology go hand in hand. If you don’t build the technology to support the great spaces there is no point. We spend more on technology per square foot. Our tech partners are struggling to keep up with it.”

— Martin Clarke, Northern Trust

# Technology Challenges and Solutions

Financial companies can deploy emerging technologies to enhance the customer experience, increase revenue and profitability, and ensure customer and data security.

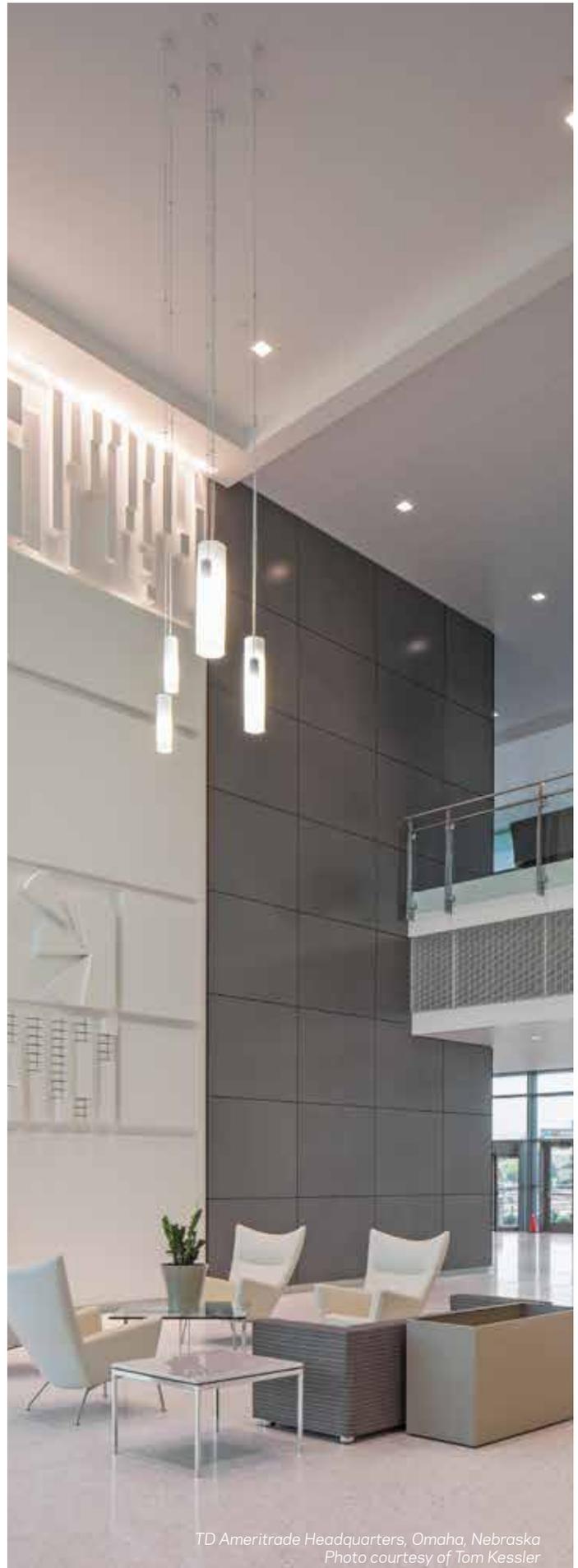
CHALLENGE	TECHNOLOGY SOLUTION
<p>Enhance the customer experience</p> 	<p>Upgrade/enhance mobile interfaces. Simplify and accelerate processes. Identify and reduce system friction. Ensure customer safety and privacy. Leverage express banking and ITMs. Provide universal bankers in branches.</p>
<p>Improve sales</p> 	<p>Use data and predictive analytics to:</p> <ul style="list-style-type: none"> <li>• Identify prospects and cross-selling opportunities.</li> <li>• Prequalify prospects and customers.</li> <li>• Monitor relationship profits.</li> <li>• Track and share performance metrics.</li> </ul> <p>Use artificial and augmented intelligence to:</p> <ul style="list-style-type: none"> <li>• Aggregate web and social data to inform sales.</li> <li>• Increase sales effectiveness.</li> <li>• Simplify and speed up sales processes.</li> </ul>
<p>Increase profitability, efficiency and sustainability</p>   	<p>Deploy big data and data analytics to:</p> <ul style="list-style-type: none"> <li>• Identify underperforming business lines.</li> <li>• Analyze performance by geography.</li> <li>• Evaluate and enhance human performance.</li> <li>• Identify outsourcing opportunities.</li> </ul> <p>Utilize IWMS, CAFM, VR, AI, robotics, SNA, and IoT solutions to:</p> <ul style="list-style-type: none"> <li>• Understand and manage real assets.</li> <li>• Monitor, measure and report usage.</li> <li>• Identify underutilization and inefficiency.</li> <li>• Increase space agility.</li> <li>• Redesign or repurpose underutilized spaces.</li> <li>• Model future scenarios.</li> <li>• Reduce maintenance/compliance costs.</li> <li>• Improve the occupant experience.</li> <li>• Reduce energy costs.</li> <li>• Simplify regulatory compliance.</li> <li>• Automate back- and front-of-house operations.</li> <li>• Reduce the carbon footprint.</li> <li>• Ensure optimization of nonrenewable resources.</li> </ul> <p>Reduce document storage and paper use through digitization. Increase employee effectiveness with technology and training. Reduce software costs through SAAS solutions.</p>
<p>Ensure security</p> 	<p>Use data and predictive analytics to:</p> <ul style="list-style-type: none"> <li>• Identify cyberattacks.</li> <li>• Flag fraudulent activity.</li> <li>• Ensure regulatory compliance.</li> </ul> <p>Use artificial and augmented intelligence to:</p> <ul style="list-style-type: none"> <li>• Automatically shut down fraud and enhance security.</li> </ul> <p>Evaluate blockchain solutions. Evaluate cybercurrency opportunities.</p>

# THE TALENT IMPERATIVE

Traditional financial institutions and investment banks are adapting to the swaying pendulum of economic, political and regulatory conditions. A recent Deloitte report on human capital trends points to creating the high-performance organizations of the future, which “operate as empowered networks, coordinated through culture, information systems and talent mobility,” as a priority for every industry. Next in importance are attention to learning, talent acquisition, leadership, performance management and the employee experience<sup>17</sup> (see Figure 2).

figure 2

## Trend Importance Ratings by Industry



TD Ameritrade Headquarters, Omaha, Nebraska  
Photo courtesy of Tom Kessler

“Space makes culture. At Goldman Sachs we are introducing flexibility so that people are empowered. Space reinforces dynamics. We are asking the banking industry to change their culture.”

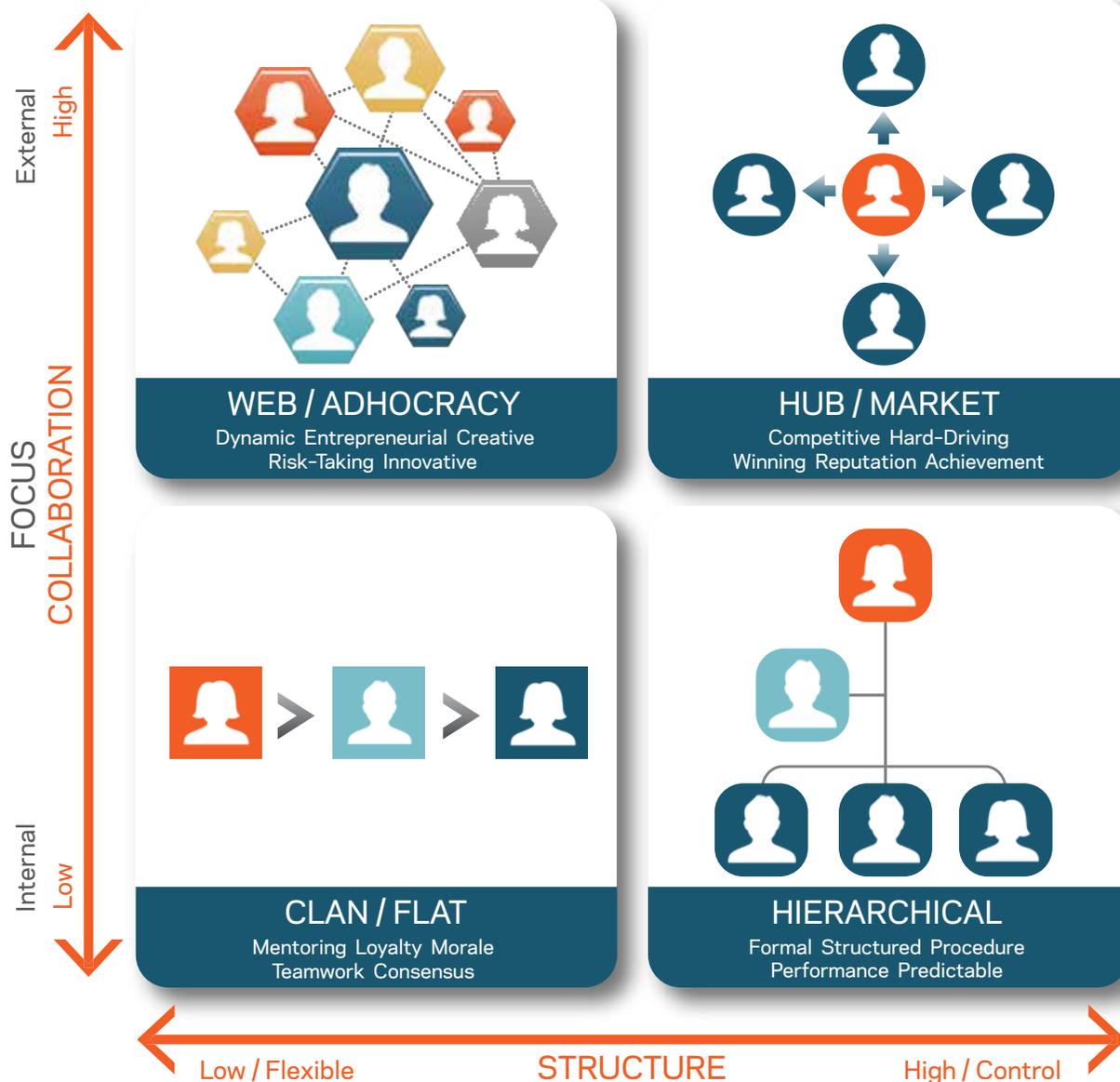
— LeeLee Brown, Goldman Sachs

Yet legacy technology and processes can make it difficult for financial companies to change. In addition to adopting new technologies, they need to rethink their business models and retool their people, processes and places. Deloitte’s research predicts that success will be built around eliminating hierarchies and establishing more teams that share values, operate transparently, exchange information and reward outcomes (see Figure 3).

As part of this transformation, financial enterprises need to look and act more like tech companies. To do this, they are going head-to-head with tech companies in the battle for talent, and the average age of the financial sector employee is dropping. This is causing many companies to rethink their real estate and facilities strategies: from where the space is to how they build and use it.

If the industry is to deliver what customers want—instant and easy access—then “talent, talent, talent” must replace “location, location, location” as the mantra. And competition for the best people is fierce.

figure 3



## ENGAGING EMPLOYEES

The emphasis on creating a positive employee experience can't be overstated. People are looking for companies that have a sense of purpose and a clear mission—and that value the contributions their employees make. It's important that the workplace acts as the physical embodiment of this philosophy by helping people connect and contribute in meaningful ways.

A great customer experience starts with a great employee experience. Yet only one person in 10 of the next-generation workforce believes design thinking is doing a more than adequate job of creating that positive employee experience.<sup>18</sup> And fewer than 25% believe that experience supports a multigenerational workforce, individual differences, a sense of purpose, work-life needs and community connections (see Figure 4).

With up to 80% of a company's expenses devoted to human resources, it's vital that the workforce be engaged and empowered to be as productive as possible. Yet according to the most recent Gallup employee engagement survey, only 33% of U.S. workers—and only 15% of people worldwide—are engaged in their jobs.<sup>19</sup>

Some organizations are shuttling staff from branch bank locations to back-office functions that can generate new revenue streams. To succeed, employers must attract and retain entrepreneurial, tech-savvy employees. But keeping their best people is important, too. In the not-too-distant future, many of today's functions will be replaced or augmented by technology. If companies haven't launched retraining and redeployment strategies, they need to start. Employees who fear they are about to lose their livelihoods can't possibly do their best work.

figure 4

## RESPONDENT RATINGS OF SUB-CAPABILITIES RELATED TO EMPLOYEE EXPERIENCE

Percentage of Total Responses: ■ Weak ■ Adequate ■ Excellent



## ATTRACTING TALENT

Today's employees expect a life as well as a living. Given a choice, they'll take the former—even over compensation and benefits. Flexible work as a differentiator in choosing an employer grew three times faster than salary and bonuses between 2011 and 2016 (see Figure 5).<sup>20</sup>

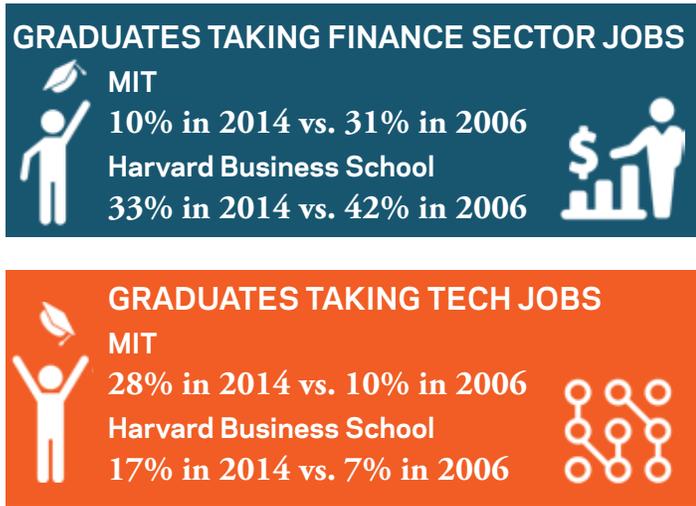
figure 5

Factors in Choosing an Employer*	2016	2011
Gain skills and advance career	90%	86%
Fair treatment	73%	75%
Flexible work hours/schedule	70%	50%
Base salary and bonuses	65%	58%
Benefits	60%	83%
Friendly colleagues	57%	58%
Corporate social responsibility	47%	44%
Prestige	31%	38%

Source: NSHSS Scholar 2016 Millennial Career Survey Results: The Emerging Workforce: Generational Trends \* Rated on a scale from most to least important

Many Ivy League graduates once drawn to the compensation and prestige of a Wall Street job are instead opting for the tech sector, where they see fewer regulations inhibiting innovation and more opportunities for explosive growth<sup>21</sup> (see Figure 6).

figure 6



“We have a lot of process-driven work which was outsourced to offshore locations. I think they will be impacted first by introducing AI into the business. It’s not a question of if it’s going to come but when. It is an issue when planning for real estate and signing leases.”

— Martin Clarke, Northern Trust

A 2016 survey of 13,000 high-achieving millennials showed tech and healthcare firms as the employers of choice.<sup>22</sup> Only one financial institution, Bank of America, landed among the list of top 50 picks of places to work, and it was down to #43 from #22 in 2011. All but one, Goldman Sachs, moved down in the rankings compared to the year before (see Figure 7).<sup>23</sup>

The financial services industry also has an image problem left over from the 2008 financial crisis that hinders its ability to attract and retain new talent. Repairing that problem will demand deep reconstruction.

Not all financial sector jobs require technology expertise. But increased automation and artificial intelligence will challenge legacy players to retrain and upskill their 40-, 50- and 60-year-olds to take on new roles. Smart employers will stay ahead of this potential talent scarcity by expanding their internal and external training programs and partnering with primary and secondary education providers for skills training.

“Sexy places attract people but they don’t retain them.”

— Roundtable participant, confidential financial services company

figure 7

Financial Institutions Rank Among Desired Employers		
	2016	2015
Bank of America	43	N/A
JPMorgan Chase	53	43
American Express	66	44
Goldman Sachs	69	73
Wells Fargo	71	59
Capital One	94	84
Citigroup	109	109
Card	114	97
Fidelity Investments	118	112
Edward Jones	119	116
Deutsche Bank	121	112
HSBC	130	121
BNY Mellon	130	N/A

Source: NSHSS Scholar 2016 Millennial Career Survey Results: The Emerging Workforce: Generational Trends<sup>24</sup>

**TOP 10 SKILLS<sup>25</sup>**

HR and strategy leaders from leading global employers identified these as the top skills employees will need by 2020:

1. Complex problem solving
2. Critical thinking
3. Creativity
4. People management
5. Coordinating with others
6. Emotional intelligence
7. Judgment and decision making
8. Service orientation
9. Negotiation
10. Cognitive flexibility

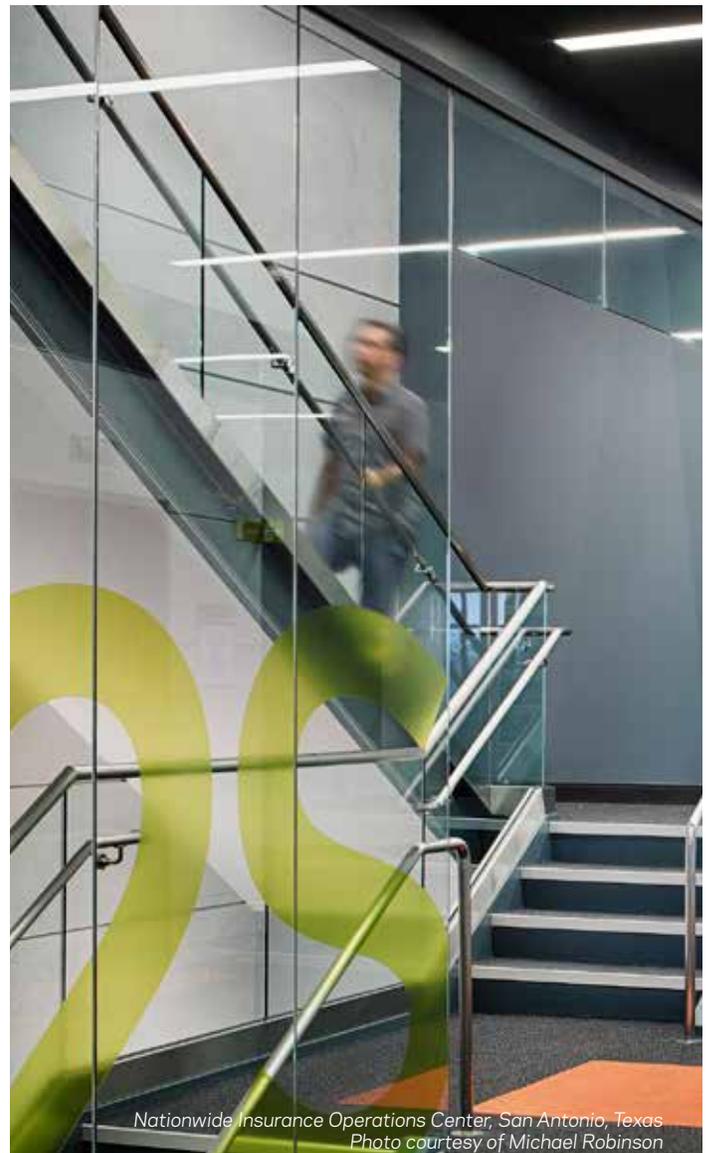
# CRE SURVEY TAKEAWAYS

HOK conducted a global survey of real estate executives in the financial sector to assess the issues these institutions are dealing with and how they plan to address them over the next three years. Our key survey takeaways were:

- Companies tend to **lease real estate in urban environments**.
- The portfolio is expected to **largely remain static**.
- **Rightsizing the portfolio** to achieve cost savings and give employees **more workplace choices** are top drivers for space programs.
- The **cost of real estate** will continue to be the single most important factor influencing workspace allocation.
- As hierarchy and tenure become less important, **appealing to changing demographics** is more important.
- The **fastest-growing space types** include nap rooms and quiet zones.
- In **urban locations** most companies don't intend to offer amenities like daycare or a gym, instead relying on the local community to provide these services.
- **Employees are most dissatisfied** by their inability to manage distractions, have access to meeting rooms and maintain privacy.
- The **best-performing elements** of the workplace are choice of setting, flexibility and unassigned space.
- Companies appreciate and want **sustainable design** and will increase their focus on employee well-being—though likely without trying for formal LEED or WELL certification.
- Companies expect to **accommodate growth** through a combination of taking more square footage and leveraging new sharing ratios (the preferred option).

## BY THE NUMBERS

- 85% have a global workplace program; 60% of those vary their programs based on job functions.
- 84% lease space.
- 66% monitor and track space utilization.
- 50% have a 'bring your own device' (BYOD) policy.
- 66% have a formal distributed work program that they use to optimize real estate efficiencies, attract and keep talent, cut costs and increase engagement.
- 90% have unassigned space; 66% have 25% or less unassigned space; and the rest have less than 51% unassigned space.
- 50% of the firms with unassigned desks use a desk booking system while the rest use a system of first come, first served.
- 90% of respondents provide some form of access to adjustable-height desks but overall implementation of these work settings remains a small portion of the portfolio.



Nationwide Insurance Operations Center, San Antonio, Texas  
Photo courtesy of Michael Robinson

## KEY BENCHMARKS

Our 2017 survey and interviews with CRE leaders from financial institutions revealed these key metrics:

	Range – Imperial	Best In Class/ Going Forward	Range Metric	Best In Class/ Going Forward
Work point size	25-80 SF	25-36 SF	2.3-7.4	2.3-3.3
Office sizes	80-150 SF	80-120 SF	7.4-13.9	7.4-11.1
RSF per employee	90-211	120-160	8.3-19.6	11.1-14.9
RSF per seat	100-200	120-160	9.2-18.5	11.1-14.9
Open to closed work point	100% : 0% - 30% - 70%	85% : 15%		
Open to closed collaboration spots	10% : 90% - 50% - 50%	40% : 60%		
Sharing ratio ( <i>work point : staff</i> )	1 : 1 - 1 : 7	1 : 1.5 - 1 : 5		
Collaborative seat : to work point	0.5 : 1.5 - 2 : 1	1 : 1		
Total seat : to staff	1.1 : 1 - 2 : 1	2 : 1		
Utilization	35%-70%	70%		
Assigned seat if in the office	0%-100%	>65%		

“Our booking system would show 90-95% of the space booked but in reality it was only 40% utilization. Reserving space was like a beach towel used to plot your territory.”

— Cathy French, Royal Bank of Canada



## CHANGING METRICS (2014-2017)

In 2014 we published the “HOK Benchmarking Report” for the financial services industry. A comparison of the 2014 findings to the recent survey follows:

SPACE METRIC COMPARISON	2014	2017	Key Observations
Seats unoccupied throughout the day	48%	44%	Utilization has improved slightly
Assigned spaces	75%	70%	More companies are using free address; but only for a portion of their space
Average utilization of meeting rooms	29%	31%	
Meetings between 2-4 people	73%	74%	
Individual work settings that are open	91%	89%	
Individual work settings that are open workstations	68%	34%	A significant reduction in the use of paneled workstations
Individual work settings that are open benching	23%	55%	A significant shift away from workstations to more open bench seating
Individual work settings that are enclosed offices	9%	9%	
Average size of enclosed offices	190	150	Offices, when used, continue to get smaller
Average RSF per person	129	120	Slight downward trend, likely due to increased desk sharing
Average RSF per seat*	155	142	Downward trend, likely due to increased desk sharing
Average SF per workstations	43	41	
Average SF per bench seating	33	30	
Average SF per meeting space	148	120	Size likely due to increased use of modularity and more focused spaces
Average sharing ratio of people to seat	1.2 : 1 - 1.7 : 1	1.2 : 1 - 2 : 1	Still varies significantly but ratios moving toward more sharing and mobility
Ratio of collaboration seats to work points	0.45 : 1	0.6 : 1	Increases in collaborative and focus spaces are driving up the ratio of seats to work points

\* This metric should be distinguished from area per person, which would be tighter with mobility strategies in place.

The decline in square footage reflects the idea that while some financial firms have adopted more progressive work styles and workplaces, others are still catching up. Firms that had previously reduced their space are fairly stable and now looking for ways to enhance the employee experience and retain top talent.

**“We are focused on rightsizing. We can’t compress space much more but we can focus on how it is utilized to serve people better. It’s about focusing on where people go to get work done.”**

— Cathy French, Royal Bank of Canada



## FIVE FACTORS

IMPACTING THE FINANCE SECTOR

- 1 Regulation
- 2 Cost pressures
- 3 Technology
- 4 Geography
- 5 Talent

TD Ameritrade Headquarters, Omaha, Nebraska  
Photo courtesy of Tom Kessler

## THE EVOLUTION OF SPACE

Since the crisis of 2008, the financial sector has been at the forefront of the workplace evolution, perhaps only trailing the technology industry. Under pressure to produce profitable new offerings, decrease costs and boost productivity, many have looked for opportunities to optimize their real estate and facilities to achieve a competitive advantage. Smart workplace design can convey their brand image, support the right culture and improve the customer experience while increasing staff effectiveness and reducing costs.

Yet changing customer preferences and industry consolidation have left many legacy players with underutilized and outdated corporate and retail portfolios. For several decades, financial companies raced to secure customers while they were young, with the idea that they would open accounts and then remain loyal for life. But today's customers have many more options. Companies need organizational models and workplace environments that enable them to meet the fast-changing expectations of customers. The overall trend is to shrink their real estate footprints and optimize their space utilization while expanding their virtual presence.

For decades financial institutions have taken pride in their conservative approach to risk management and their business

models, including how they design and operate office space. To succeed going forward, these companies will need to be agile and shift from overly centralized models to a more fluid, collaborative and entrepreneurial approach. The ability to innovate, evolve and to be responsive to the needs of their customers will be paramount. Aligning their organizational structures, work processes, IT systems, HR policies and work environments will facilitate this shift.

Most of the larger, established banks have complicated real estate portfolios with legacy buildings and redundancies left over from years of mergers and acquisitions. The overall trend is for their real estate footprints to be shrinking. By reducing the number of and size of branch banks and trimming headcount in retail banking divisions, companies are freeing up resources to apply to other areas like cybersecurity and online services.

The locations where people work today must reflect the needs of the specific organization and its people. Firms are looking for curated experiences that provide employees with à la carte workplace experiences, services and support. And that includes creating space that is sustainable for the environment and its occupants.

## NEIGHBORHOOD-BASED CHOICE ENVIRONMENTS

Work environments for the financial services industry are evolving beyond open-plan spaces and Activity-Based Workplaces (ABW), or task-oriented solutions, to more Neighborhood-Based Choice Environments (NCE) that incorporate the best of ABW but address the human-centric aspects of space. NCE spaces create a neighborhood or a home for teams while providing people with access to several different work settings. Gone are the days of the repetitive routine tasks and the static work spaces that supported them. Today's space solutions need to address the many different functions performed and be flexible to adapt to the constant changes. These environments must support a variety of work styles and activities that foster innovation and improve productivity. Yet space must meet the basics instinctual needs of the people. Providing an anchor, or home base, while creating a sense of community and enabling choice are key to creating successful work environments.

## AGILE SETTINGS

Companies need agile work settings that can accommodate all sorts of different tasks. These can include scrum or maker spaces where teams can come together and ideate, or space for focused work. Pin-up areas and writable surfaces help coworkers share information and give them more control over the environment.

## OFFICE TRENDS

- Developing and implementing standards that minimize the cost of organizational churn, reorganization, construction and reconfiguration.
- Reducing space allocation per workstation/person, often by leveraging sharing ratios.
- Moving from individual to more collaborative work styles and creating the physical environment that supports that shift.
- Equipping space for formal and casual interaction supported by robust technologies.
- Accommodating mobility and distributed work.
- Increasing the focus on expressing the brand and enhancing the customer experience through experiential design.
- Creating more vibrant, progressive spaces that attract and retain the best people and a diverse workforce.
- Focusing on environmental and human sustainability.
- Improving physical and electronic security of place and systems.

### CASE STUDY

# SCOTIABANK

Toronto

## Scotiabank's Workplace 2020 Transformation

As part of Scotiabank's Workplace 2020 Transformation, HOK is helping the bank create its first three "Ecosystems" in downtown Toronto. Each Ecosystem is made up of approximately 40,000 square feet housing 500 people on three connecting floors. Two floors are office environments, with a landing floor between the office floors containing a bistro, shared meeting spaces and office space.

A kit-of-parts design supports individual work, collaboration and social interaction. The team created 16 user vignettes and accompanying furniture solutions. HOK is continuing to work with Scotiabank through the build-out. The space will be assessed and modified based on the users' input.

HOK is also designing a 50,000-sq.-ft. commons space that will support the 29 Scotiabank Ecosystems targeted for buildout over the next three years.

When complete, this Workplace 2020 Transformation will provide a world-class environment that helps Scotiabank attract and retain top talent, support change and innovation, and have access to the flexible space it needs to thrive in the fast-changing financial services industry.

## BALANCING MOBILITY, COLLABORATION AND SECURITY

With technology giving them the ability to work anywhere and anytime, employees of financial institutions are untethered to work remotely. Trade floors are one of the last bastions of tethered work, with traders often requiring multiple screens that need constant monitoring and ready access to the phone. Though many financial companies have explored the implementation of telework and external mobility programs, they have had mixed success.

**“We are building our spaces to attract people to come to work.”**

— LeeLee Brown, Goldman Sachs

Bank of America is one financial company that has used telework and external mobility policies. The program was so successful that too many people opted in and the office was left underutilized. In an effort to improve collaboration, however, it asked remote-work employees to return to the office.<sup>26</sup>

Most companies that bring their teleworkers back into the office do so because they want them to be together so they can ideate and improve their products or services. Companies in sales or consulting modes, on the other hand, are more likely to push their teams out into the field. The degree to which a company leverages external mobility and telework should be a reflection of their workstyles and business model. And it is often subject to the cyclical nature of business.

The increased threat of cyberattacks is causing some companies to keep their people inside their walls to enhance cybersecurity and preserve their customers’ trust. Financial services companies must ensure that their apps, communications and websites are safe. Protection from hacking, compliance with regulations, securing personal data, transparency and risk management are all critical.

**“The real benefit of adjustable-height desks is micro-adjustments. We find that petite people never want to lower their desks but when they do they say they have never been more comfortable.”**

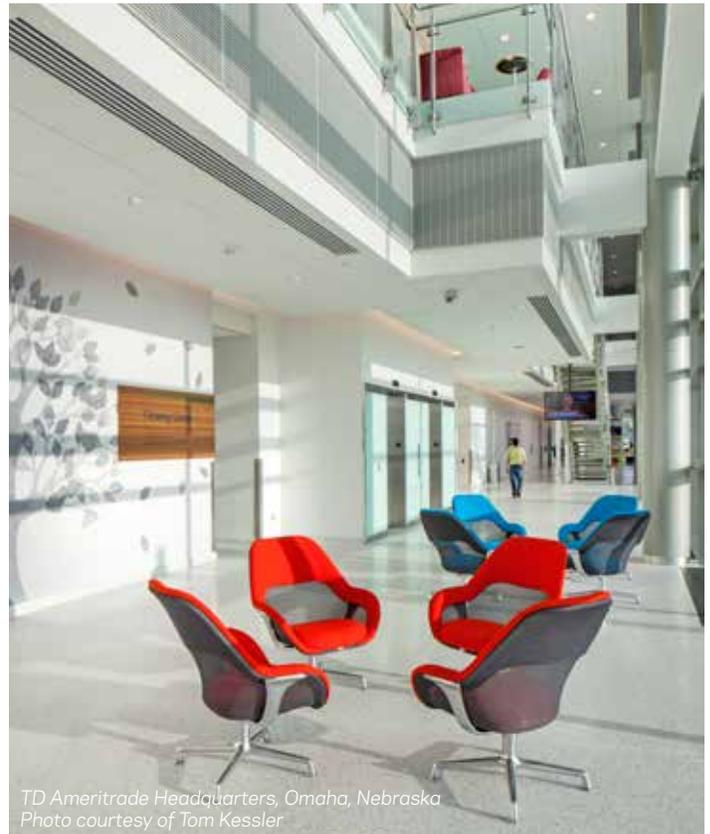
— LeeLee Brown, Goldman Sachs

## WELL-BEING

The financial sector tends to be a high-pressure, stressful work environment, especially on the trading floors. Workplace stress costs U.S. businesses alone over \$300 billion annually for healthcare and missed work days.<sup>27</sup> And healthcare expenses at high-pressure companies are almost 50% higher than those at other organizations.<sup>28</sup> More companies are looking for their workplace environments to alleviate this stress.

Providing areas where staff can reflect and rejuvenate such as refresh zones, outdoor space or contemplative space that enable deep thought can improve staff well-being and productivity. Unassigned enclaves and quiet zones increase mindfulness. Addressing acoustics, thermal comfort and indoor air quality can have a positive impact on performance and satisfaction. It’s also important to provide ergonomically designed spaces and access to natural elements, daylight and views. In response to ergonomic needs, companies are encouraging standing meetings, incorporating sit-to-stand work settings and providing perching stools.

In 2016 HOK partnered with Delos, a wellness real estate and technology firm, to improve the ability of our designers to integrate health and wellness into the built environment. Pioneered by Delos, the WELL Building Standard is the International WELL Building Institute’s evidence-based system for measuring, certifying and monitoring building performance features that address well-being. WELL-certified spaces improve the nutrition, fitness, mood, sleep patterns and performance of their occupants. Unlike other rating systems, WELL requires ongoing performance verification for three years.



TD Ameritrade Headquarters, Omaha, Nebraska  
Photo courtesy of Tom Kessler

CASE STUDY

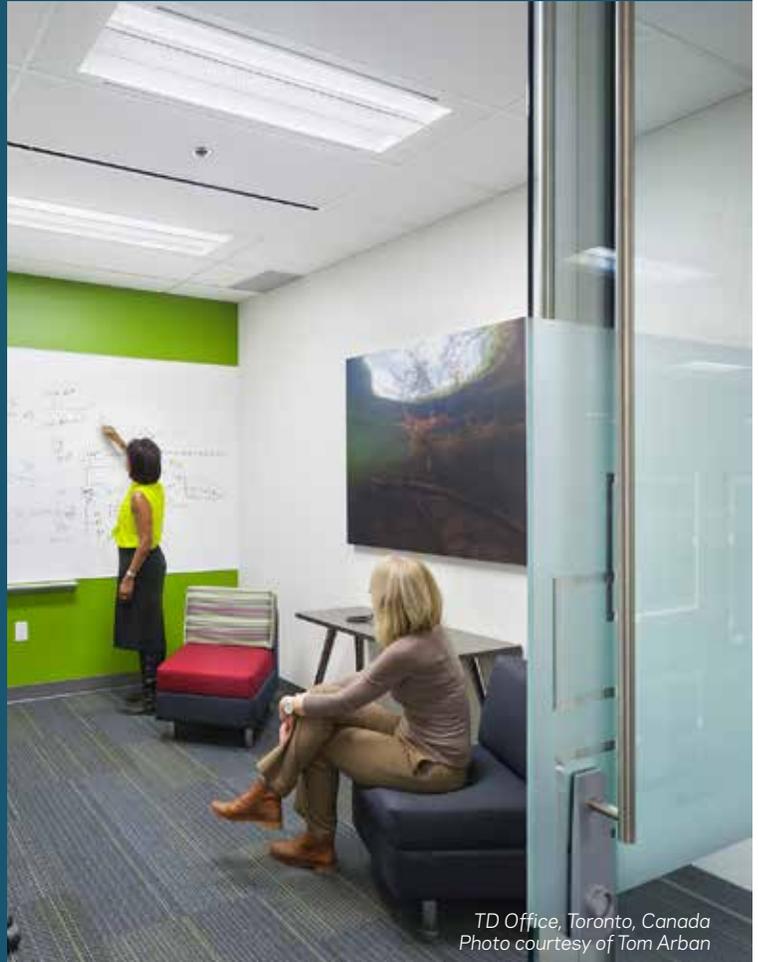
# TD OFFICE

**Toronto**

In 2016 HOK designed TD's 25,000-sq.-ft. office renovation within Cadillac Fairview's Toronto-Dominion Centre. The project was awarded WELL Certification at the Gold level by the International WELL Building Institute™ (IWBI™). The WELL Standard is the first building standard to focus on enhancing people's health and well-being through the built environment.

"A growing body of research demonstrates the environments where we live and work have a direct impact on our well-being and it is becoming increasingly important to place people at the heart of design and construction, operations and development decisions," said IWBI Founder Paul Scialla. "This is a step forward in the advancement of human health and wellness through the built environment in Canada and globally, and demonstrates TD's vested interest in the health and well-being of its employees."<sup>29</sup>

"People are our most important asset," said Martha MacInnis, design director, Enterprise Real Estate, TD Bank Group in Toronto. "We're committed to being an extraordinary place to work, so it made perfect sense to look at our existing design standards and figure out a way to elevate them to the next level."<sup>30</sup>



TD Office, Toronto, Canada  
Photo courtesy of Tom Arban



TD Office, Toronto, Canada  
Photo courtesy of Tom Arban

## IMMERSIVE ENVIRONMENTS AND COWORKING SPACES

In certain markets, coworking spaces offer companies a quick, easy and lower-risk alternative to leasing traditional office space in emerging or high-risk markets.

Silicon Valley Bank and HSBC are among the large companies that have leased space in WeWork coworking locations. In 2016, HSBC signed on to take multiple floors and 300 desks at WeWork Tower 535 in Hong Kong.<sup>31</sup> This move collocated the bank's digital and transformation teams with like-minded fintech startups.

After moving into its building in Sydney, National Australian Bank was left with a block of empty space off the main lobby. NAB decided to transform the space into coworking and meeting spaces available for public use. The bank encourages its staff to use the space alongside their customers. With the help of a dynamic community manager, it has become a vibrant hub that attracts a diverse group of people who energize the space.

HSBC Bank is using dedicated floors within coworking spaces to meet the rapid expansion needs in key markets. But many companies leveraging this strategy note that while it may temporarily meet the needs of back-of-house support spaces, it is not the right approach for client-facing or main office locations.

## CALL CENTERS

As the focus shifts to digital finances, customer service call centers are growing in size and importance. And staff expertise must increase to meet the needs and expectations of customers. Call centers have traditionally been offshored or located in suburban areas with less expensive real estate. But today these centers are taking on renewed importance as field offices, branches and operations centers are scaled down.

**"If you can move and have choices, you're not going to sit in one spot and complain."**

- Colleen Baldwin, Scotiabank

## TRADING FLOORS

The trading industry is evolving in terms of how trades are executed and how they are supported by teams and technology. Next-generation trading infrastructure has to respond to increased demands for speed, volume and efficiency. Today's trading floors must deliver ongoing improvements in trading performance and profitability by responding to key market drivers while providing flexibility to adapt to future changes. Key drivers impacting today's trading floors include:

- A need for access to individuals and information to rapidly exploit business opportunities and to make faster trades that integrate more market information.
- Connectivity: Each work point requires reliable power and a communications infrastructure capable of quickly and securely handling sophisticated computer operations.
- Financial pressures to increase space efficiencies and reduce costs.
- Organizational agility: The ability to reorganize teams to capitalize on new market opportunities.
- Adaptability to easily accommodate advances in technology and data.

Meeting the needs of more flexible, integrated workflow trading spaces requires design innovations that are beginning to characterize these environments:

- Integration of improved technological infrastructure for power, data and cooling into floors and furniture.
- Unobstructed visibility throughout the floor to allow increasingly mobile traders, sales staff and portfolio managers to immediately locate each other.
- Increased provision of smaller team workrooms and teaming spaces for impromptu strategic discussions.
- Trading positions that can be immediately configured by the user to individual preferences and information needs to allow swift regrouping of traders to react to – and preempt – market demands.

## 5 AREAS OF FOCUS FOR THE FINANCE SECTOR

1. **Build trust by providing secure banking and unbiased advice.**
2. **Provide easy access to services and transactions when and where customers want them.**
3. **Understand the needs of customers and tailor solutions to them.**
4. **Deliver exceptional customer experiences.**
5. **Innovate service offerings to remain relevant.**

Well-designed trading floors enable faster and higher volumes of trades, immediate collaboration among sales and trading staff, and streamlined information flow. Modern trading floors must be deliberately planned to maximize high functionality. Support and amenity space must be within close proximity to workspaces so it is easily accessible by all employees. It is also desirable to preserve sight lines across the entire space. Internal mobility traditionally is low among traders who are often tethered to their computers. Trading floors increasingly provide ergonomic furniture, including adjustable height work points, that encourages continuous productivity in multiple postures and allows individuals to adjust their workspaces to meet their needs. Trading floors also are employing radial work point configurations that are highly efficient yet minimize the feeling of being crowded, which can lead to stress.

Infrastructure is a critical element of successful trading floors. Trading density and loads have dramatically increased over the past five years, leading to the development of direct cooling technology for desks with high PC and screen loads. Modern environments offer cooling above and below the work point. Meanwhile, screen manufacturers are collaborating with cooling companies to design screen standards that reduce screen heat

generation into the space. Coordination between cooling, power and data in the design phase for new buildings allows for more targeted placement and better integration. In-floor units are often designed “on-grid,” while cooling units replace a row of floor tiles and the PC desk chamber is aligned centrally above.

“There has been a reduction of trading and traders. Curved screens and other technologies are changing the ways of working. We are asking ourselves, do we even need the traditional old trading floors?”

— Roundtable participant, confidential financial services company



Accident Fund Holdings Company Headquarters, Lansing, Michigan  
Photo courtesy of Justin Maconachie

# NASDAQ

Philadelphia

## A HIGH-TECH WORKPLACE FOR THE OLDEST U.S. STOCK EXCHANGE

The design for this new office and trading floor in Philadelphia supports Nasdaq's work processes as a fintech leader, as well as its ability to recruit the best employees from the city's university and tech communities. The design also embraces the rich history of the Philadelphia Stock Exchange (PHLX), which was founded in 1790 and acquired by Nasdaq in 2008.

The 75,000-sq.-ft. space spans the sixth, seventh and eighth floors of the FMC Tower in the city's thriving University City district. It houses Nasdaq's technology operations as well as its traders and brokers, who have been energized by moving from windowless basement space in their previous office to a bright, daylit, state-of-the-art trading floor.

The open office plan has plenty of spaces that fuel creativity and encourage the impromptu interactions that lead to the most innovative ideas. A variety of seating types and potential configurations support a wide range of work styles, giving the space flexibility to accommodate many different uses and future growth. Meeting rooms promote teamwork, and enclosed booths accommodate private conversations.

Juxtaposing sleek architectural elements and industrial finishes, the hospitality-infused design is unique in the fintech industry. Visitors arrive at a custom concrete and wood reception desk with a backlit logo positioned in front of panoramic city views. Reclaimed walnut floors and ceilings combine with blackened steel accents to create a modern industrial environment that serves as a counterpoint to the tech-driven business.

A central café and lounge dubbed the Merchants' Coffee House pays tribute to the Philadelphia Stock Exchange's 18th-century origins in Old City. Nasdaq's people can access the contemporary café via a three-story blackened steel and walnut staircase that runs along the eastern window line and is linked by a colorful, abstract topographic mural by a local artist. A pool table helps create an environment that attracts and retains a young, talented workforce. A local artist created a chalkboard piece illustrating a timeline of Nasdaq and the PHLX in the region. Historical photos and environmental graphics provide additional references to Nasdaq's legacy.

Adjacent to the main reception, the trading floor is organized radially around the surveillance area. Colorful, elliptical millwork provides visual access to the traders. A white baffle system establishes the ceiling plane, while a circular void organizes the seating group below.

The design of the network operations center and customer data center transforms these traditionally back-of-house spaces into showcases for Nasdaq's cutting-edge technology. Framed views into these areas, combined with curated murals abstracted from traditional elements, reinforce the idea that the company's forward-thinking brand is grounded in local history.

HOK's project team used advanced virtual reality (VR) technology throughout all phases of the design process, enabling Nasdaq to experience the space before it was built.

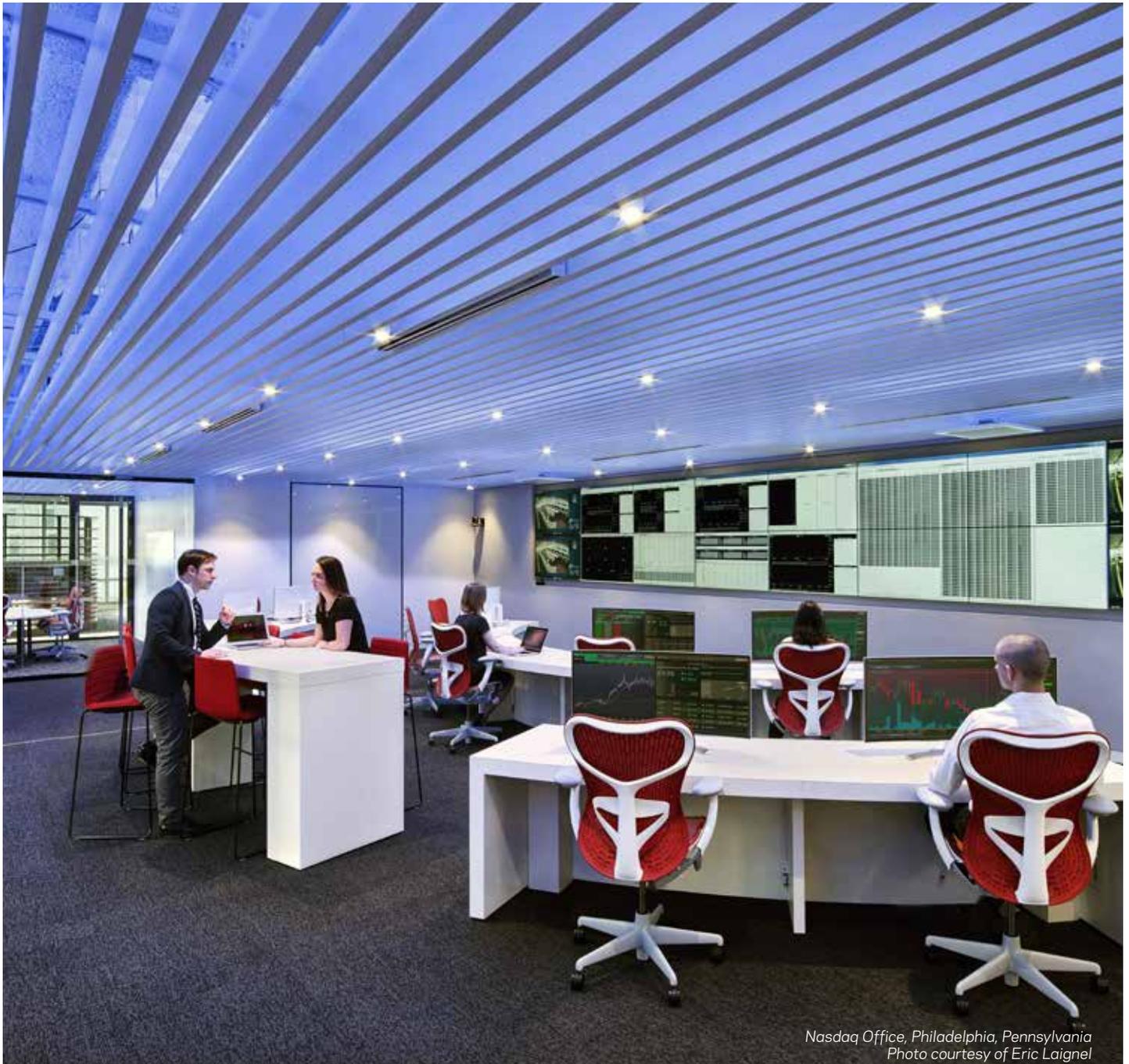
## ENHANCING THE BACK OFFICE

Consumers who interacted with banks 3-4 times a month in the pre-digital era now interact with them 15-20 times per month.<sup>32</sup> At the same time, research analysts, investment bankers and traders are achieving lower profits. These changes are triggering banks to put more focus on the space occupied by people traditionally referred to as back office staff. They are looking to hire talented people who can strengthen their online presence, cybersecurity and compliance work.

A new generation of apps will aid in workplace management and operations. These apps will make it possible for users of a space to select a preferred work setting, adjust environmental settings, order a meal, book a meeting room or even connect with coworkers with similar interests.

## AMENITIES

Some companies are centralizing amenity spaces such as gyms and cafés to create a community hub for their people. These on-site amenities help keep employees motivated and improve their work-life balance. Others are incorporating elements from hospitality, retail and higher education to create spaces that support the needs of their emerging workforce. This “space fusion,” or blending of sectors, will provide the space needed to create curated workplace experiences. Tech bars, lounge spaces, coffee counters and multipurpose spaces that act as learning spaces are emerging as go-to amenities within the financial sector.



Nasdaq Office, Philadelphia, Pennsylvania  
Photo courtesy of Eric Laignel

# WORKFORCE AND WORKPLACE PLANNING

## WORKFORCE PLANNING



Anticipate the impact of technology and trends on the existing workforce.

Identify skills/talent gap.

Identify retraining and re-skilling opportunities.

Refocus/update attraction and retention strategies.

Identify outsource/gig worker options to improve agility and fill gaps.

Evaluate and deploy HR, performance and engagement analytics.

Hire and train people for leadership and management roles.

## WORKPLACE PLANNING (physical and virtual)



Evaluate space use and effectiveness.

Anticipate future workforce space needs.

Improve efficiency in back office workspace design.

Create a mobile, in-office work experience.

Create a balance of focus and collaboration spaces.

Design for client comfort.

Focus on the customer experience.

Offer enticing workplace amenities.

Evaluate how physical and virtual workplaces, work practices and work policies:

- Appeal to desired talent.
- Support work-life-play balance.
- Encourage employee wellness/well-being.
- Communicate and connect people to mission and purpose.
- Encourage and support diversity.
- Optimize human performance.
- Enhance creativity.
- Foster innovation.
- Communicate core values.
- Accommodate the full range of personalities.
- Encourage mobility.
- Support teams.
- Increase engagement.
- Encourage and support collaboration.
- Welcome business partners, customers, contractors and visitors.
- Reduce silos.
- Facilitate learning.
- Encourage transparency.
- Reflect desired culture.
- Ensure honesty, morality and fairness.

# RETAIL BANK TRENDS

As the role of the branch bank changes, many institutions are shifting from providing teller-based transactions to serving as knowledgeable advisors for a range of high-value transactions. Advancements in analytics have given companies an unprecedented amount of information about their customers, enabling them to offer personalized solutions to their financial needs.

Until recently, being visible, local and accessible was the name of the game. Today, rather than traveling to a branch office customers expect to accomplish most of their banking needs from their homes or mobile devices. The online experience is constantly being improved to reduce frustration, expedite transactions and enhance the overall experience.

As a result, banks need fewer people in their retail banking divisions and are reducing the number and size of retail branches.

While overall branch visits are declining, the retail branch still remains the channel with which customers have the most positive experiences. They will endure as a cornerstone of banking. Consumers want in-person interactions as part of their experiences, especially if they have questions. The youngest millennials (18-25), in fact, use the retail branch as often as baby boomers.<sup>33</sup> Satisfaction among millennials was greatest when they used both branch and digital banking channels (see Figure 8).

### Most Commonly Used Retail Banking Channels by Age

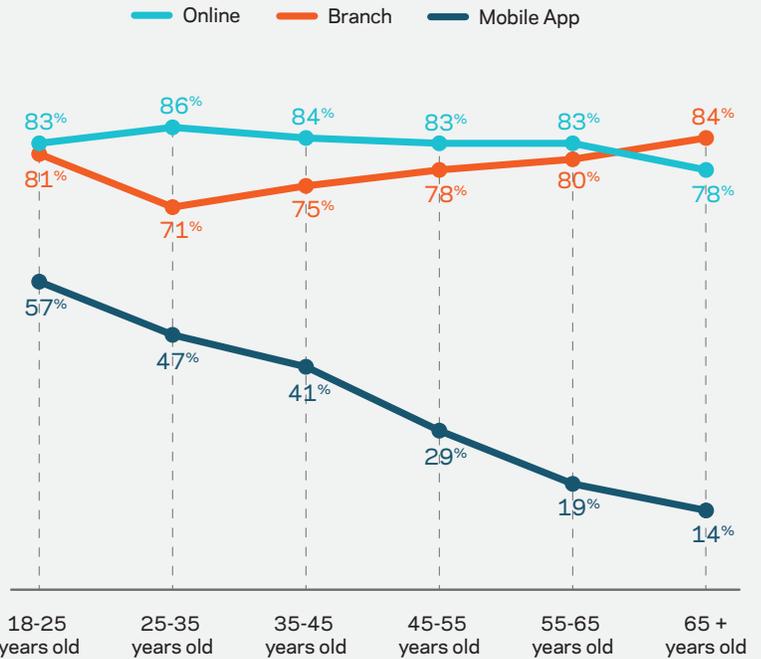


figure 8



Nasdaq Office, Philadelphia, Pennsylvania  
Photo courtesy of Eric Laignel

## BRANCH BANK TRENDS

- Reduce size and scale.
- Eliminate lines and replace with personal greetings.
- Create micro-locations in retail and service outlets.
- Design branch locations to appear more like a coffee shop or coworking space than a traditional branch bank. Add large video screens, lounge areas and meeting spaces, and incorporate key messages and marketing material into the space design.
- Create a community. Display local artwork and incorporate local materials into the space.
- Entice customers to visit a branch by hosting events. This will enable customers to familiarize themselves with a space and brand.
- Transform retail branches to maximize selling opportunities and create zones to stage interactions blended with technology.
- Expedite customer service by establishing in-branch, self-service facilities such as dynamic digital merchandising, remote advisors, mobile tellers and video-enabled, self-service kiosks.
- Make it easier to navigate by integrating technology and centralizing kiosks.
- Allocate more space to advisory and self-service functions.

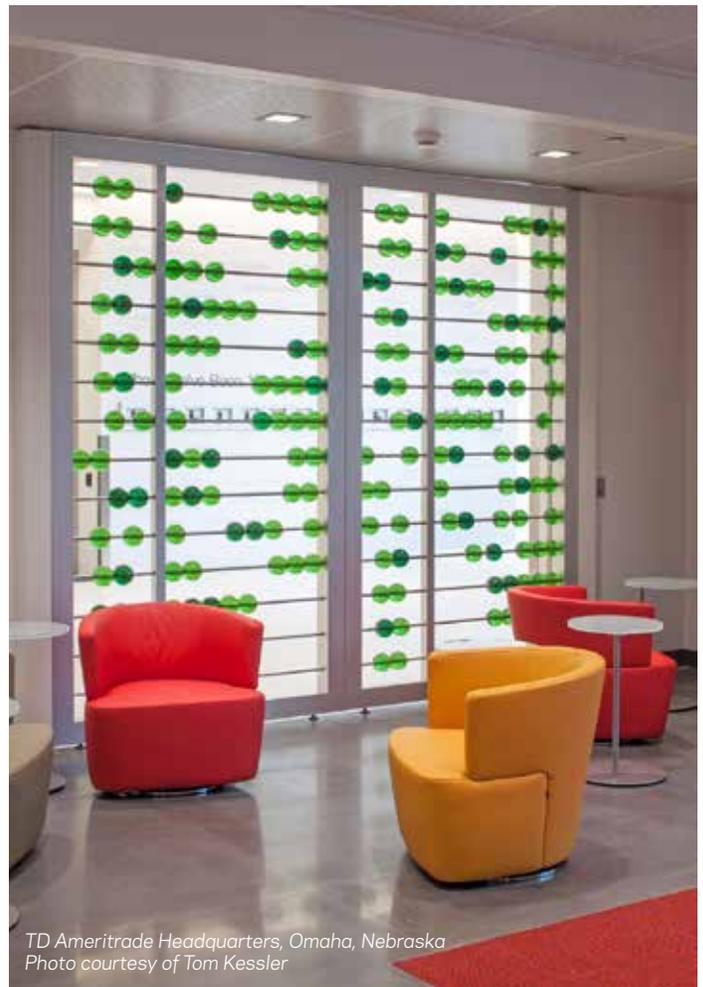
## ELEVATING THE CUSTOMER EXPERIENCE

Whether it's virtual or physical, customers have high expectations for their experiences with financial companies. The branch bank experience must become more customer friendly and service-oriented. Whether it's personal greetings or enhanced selling of financial products, the focus is to create a great experience that makes the customer feel welcome and comfortable. In many cases branch banks are being designed to look more like a coffee shop or coworking space. Experiential design elements reinforce branding and communicate the bank's mission and purpose.

Ease of use and convenience are the hallmarks of successful customer interactions. To meet those demands, financial institutions are opening micro-branches in remote locations such as grocery stores and malls.

## MEET YOUR UNIVERSAL BANKER

The introduction of the universal banker, a hybrid of a traditional teller and personal banker, was created to enhance the customer experience and expedite speed to resolution for customers in retail banks. Universal bankers are untethered from desks, specialize in everything and are cross-trained to meet a variety of customer needs. They are a one-stop solution for expediting customers' requests from start to finish.



TD Ameritrade Headquarters, Omaha, Nebraska  
Photo courtesy of Tom Kessler

## EMOTIONAL INTELLIGENCE

Branch employees must offer customers new and differentiated experiences that bring together the best attributes of in-person and online banking to deliver successful outcomes for high-value customers across multiple channels. To be perceived as a trusted partner and deliver personalized services, universal bankers must have finely tuned emotional intelligence (EQ) and active listening skills. They increasingly will need to quickly understand whether a guest is looking for personal attention or an anonymous, self-service experience. Ensuring that a team member greets customers with a personal connection or touch, for example, may encourage customers to engage further with employees and product offerings.

## WIDE APPEAL

Companies must plan and design their physical branches and virtual banking experiences to appeal to a wide variety of customers.

A large portion of the customer base is made up of baby boomers and generation Xers who have stable lives and income levels. These branch bank customers:

- Prefer simplified, transparent and low-cost products.
- Tend to be more risk-averse, as they want to feel in control.
- Prefer simpler online navigation tools.
- Have a stronger sense of brand image than other generational segments.

Millennials, who interact with their banks more than baby boomers, want brands to anticipate their needs and provide an experience that makes them feel cared for. These customers:

- Appreciate receiving perks and having advantages.
- Are early adopters of technology.
- Are most receptive to and comfortable with multi-channel integration.
- Are more likely to be business owners.
- Enjoy comfortable environments at work and at play.

## TRANSPARENCY FOSTERS TRUST

Using transparent glass panels to separate offices and conferences helps customers experience a sense of activity in the branch. Displaying bank employees to clients also helps customers develop more trusted relationships with them over time, which supports brand loyalty.

## NATURAL CONNECTIONS

Biophilic design strategies, which connect occupants of a space with living and natural systems, help people feel comfortable. The use of wood has been shown to de-stress people. Daylight also has been linked to enhanced cognitive performance and emotional state. Plants and natural elements have a calming effect and can improve cognitive performance and creativity.

## OPTIMIZING ACOUSTICS

The use of soft materials can reduce echoes and reverberation, minimizing the stress people can feel when bothered by workplace noise. Slower-to-moderate tempo music puts customers at ease and encourages them to spend more time in a branch. The sounds of nature also have a relaxing effect on people.

## A CONSISTENT MULTI-CHANNEL EXPERIENCE

Given the increased role mobile banking now plays across all consumer generations, companies are looking to leverage social media to provide lifestyle engagement tools. Consumers expect a device-agnostic experience, forcing banks to consider their mobile and online vehicles more holistically. Other findings from our survey:

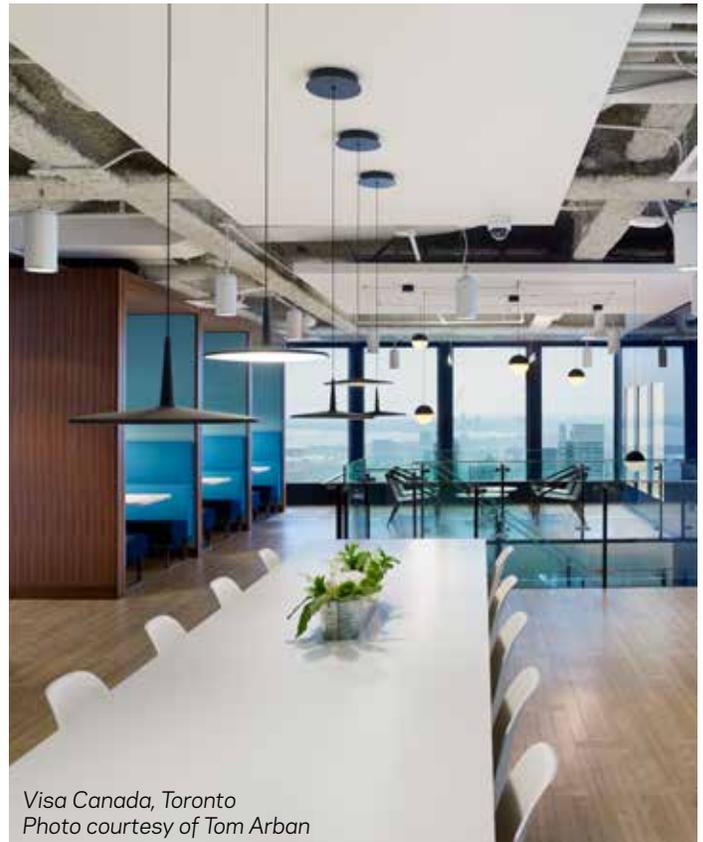
- More than half of global consumers consider a consistent multi-channel experience to be an important influence in brand loyalty and retention.
- About 50% of customers that are displeased with their banking experience report that their bank lacks a consistent multi-channel experience.
- Customer satisfaction, brand image and retention are higher among customers with a mobile payment service linked to their account.
- Millennials, especially those with incomes above \$80,000, strongly associate having the ability to perform mobile payments with overall bank satisfaction.

CASE STUDY

# BRANDING FOR HARRIS BANK

HOK's team is working with BMO Harris Bank to creatively incorporate brand standards in numerous retail and workplace locations in the U.S.

Our work together includes "smart bank" branches in Milwaukee, St. Louis and Downers Grove, Illinois; office renovations in St. Louis, Madison, Wisconsin, and Columbus, Ohio; and a workplace project in Chicago.



Visa Canada, Toronto  
Photo courtesy of Tom Arban



Visa Canada, Toronto  
Photo courtesy of Tom Arban

## CASE STUDY

# UNION BANK

Union Bank, a full-service bank with offices across the U.S., provides a wide spectrum of corporate, commercial, retail banking and wealth management solutions. HOK is working with their real estate and design team to develop real estate strategies, provide design services, and envision and develop the branch bank of the future. Ideation to date has led to:

- Due diligence on 20+ existing branches that needed to be updated to current bank standards. This has included plan review, new equipment and new branding initiatives.
- Collaborating with Union Bank's team on the design of ATMs for walk-up and drive-through locations.
- Developing a new branch concept for today's customer, including a hospitality aspect. This scope included a full-size mockup for executive review and a standards package.
- Updating Union Bank's typical branch standards.
- 27 test fits and design development packages for the bank's PurePoint hybrid digital bank division.
- Express banking rollout: 185 branches projected over the next three years.
- Express banking planning guidelines and a design framework.



Accident Fund Holdings Company Headquarters, Lansing, Michigan  
Photo courtesy of Justin Maconochie



Accident Fund Holdings Company Headquarters, Lansing, Michigan  
Photo courtesy of Justin Maconochie

## FAST FORWARD

Geopolitical shifts, emerging technologies and currencies, and new regulations will continue to shake up the financial sector. But this is an industry that has always had to contend with change. It's the speed at which today's changes are occurring that requires financial companies to be agile, lean and adaptive.

"Volume and speed of change are on an increasing exponential path. There is a move to project-based work and constant reconfiguration. This is driven from the business to enable project teams to reach their full potential."

— Chris Bunker, Royal Bank of Canada

"We need a technology innovation team that fails fast so we can succeed faster."

— Danica Kendall, Sun Life Financial

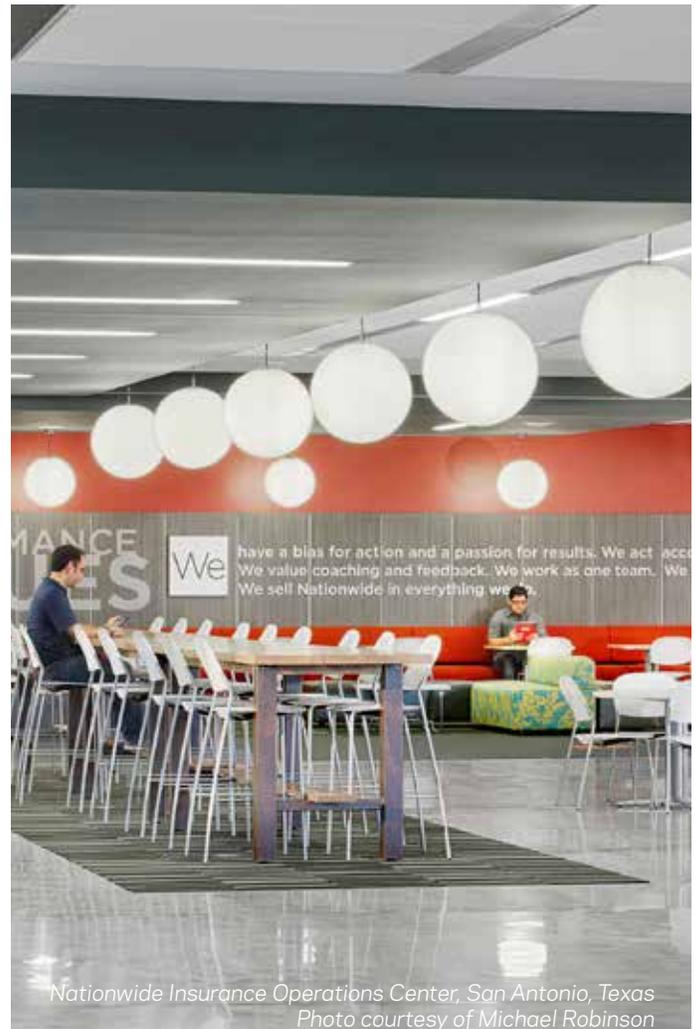
The gig economy, advancements in AI and entries into emerging markets may result in more jobs being shifted to back office functions or simply being outsourced. And in a new financial world in which data is king, companies that can leverage this information about their customers to anticipate their needs will thrive. To stay competitive, financial companies will likely seek more M&A activities to expand their services, product offerings and expertise while leveraging their large customer base.



Harris Associates Offices, Chicago, Illinois  
Photo courtesy of Tom Harris

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Nationwide Insurance Operations Center, San Antonio, Texas  
Photo courtesy of Michael Robinson



HOK's WorkPlace practice designs environments that help organizations and their people succeed. The world's leading companies and institutions trust HOK's WorkPlace specialists to manage the strategic planning, design and construction of all types of work environments. Our team has extensive experience helping organizations with real estate portfolios ranging from single sites to multiple locations worldwide.

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