

Real Estate Practice

Reimagining the future of financial-services headquarters

The stakes are high for financial-services firms to reorient their offices around learning, inclusion, and innovation.

by Aliza Dzik, Phil Kirschner, John Means, and Robert Palter



All industries are grappling with the future of the office, but the stakes are uniquely high for financial-services firms. The largest banks and insurers have invested millions—and sometimes billions—in flagship offices, on top of branches, satellite offices, and other real estate. During the COVID-19 pandemic, financial-services employees spent three-quarters of their time on activities that can be performed remotely,¹ calling into question the need for so many offices and cubicles. At the same time, the industry is changing in ways that are radically reshaping financial-services workforces and their daily working patterns.

The result is that yesterday's financial-services headquarters are no longer fit for tomorrow. To future-proof their flagship offices, banks and insurers should consider the larger forces reshaping their industry, redefine the purpose of their workplaces, and tailor real-estate approaches that will best help them compete.

First, the financial industry is undergoing a digital transformation that will change its workforce composition and skill sets. Since the pandemic accelerated new technology adoption, employees have had to develop expertise in innovations, including electronic signatures, mobile scanning, and high-volume call systems known as digital or virtual trading turrets.² Digital and technical demands will only continue to increase. For example, AI and machine learning could lead to an opportunity of up to \$1 trillion a year in banking alone.³ In response to a greater need for digital dexterity, the financial-services workforce must be reconfigured for effective talent acquisition, onboarding, and reskilling and upskilling to attract, teach, and reinforce technology skills. Future headquarters should be reimagined as places that accelerate a culture and mindset of continuous learning.

Second, financial institutions are facing challenges in recruiting and retaining the diverse talent required to spark innovation while promoting an inclusive environment. Environmental, social, and governance (ESG) commitments and business imperatives have also created a new urgency to fully address ethnic and gender diversity deficits within the profession.⁴ Financial institutions recognize the benefits of recruiting from a broader range of educational backgrounds as well as hiring neurodivergent individuals who can contribute unique problem-solving and pattern-recognition capabilities.⁵ These changes compel financial-services firms to rethink where and how they design their workplaces, which amenities they provide, and how they integrate remote workers. Future headquarters must attract, welcome, and recognize a broadly diverse workforce.

Third, financial-services employees must work on the leading edge of digital contracts and currencies, rapidly and iteratively solve for customers' evolving preferences, build in-house digital challengers, and partner with compatible target companies. Creating an atmosphere that promotes entrepreneurial behavior requires companies to seek inspiration from cutting-edge technology firms. Future headquarters must be conducive to innovation, start-up culture, and a bias for action.

We have assembled a set of ten bold moves financial-services firms can make to transform headquarters (see sidebar, "Our methodology") into places that support the highest levels of learning, inclusion, and entrepreneurial action. Real estate lies at the core of these initiatives, but their success requires a CEO-led, data-driven, iterative, and cross-functional approach. The results will yield a best-in-class workplace prepared to meet the demands of the future.

¹ Susan Lund, Anu Madgavkar, James Manyika, and Sven Smit, "What's next for remote work: An analysis of 2,000 tasks, 800 jobs, and nine countries," McKinsey Global Institute, November 23, 2020.

² Eleanor Bensley, Sergey Khon, David Tan, and Zubin Taraporevala, "Breaking away from the pack in the next normal of retail banking distribution," McKinsey, July 30, 2020.

³ "AI-bank of the future: Can banks meet the AI challenge?," McKinsey, September 19, 2020.

⁴ Kweilin Ellingrud, Alexis Krivkovich, Marie-Claude Nadeau, and Jill Zucker, "Closing the gender and race gaps in North American financial services," McKinsey, October 21, 2021.

⁵ Susan Caminiti, "JPMorgan Chase, Microsoft among growing number of companies turning to neurodiverse workers to help meet need for talent," CNBC, April 20, 2022.

Our methodology

To research the real-estate implications of the inflection points financial firms are facing today, we began by collecting knowledge from more than 30 McKinsey practice experts. We then interviewed 16 financial-services leaders and senior strategists who had roots in traditional banks and insurance firms, with some in new roles at fintech disruptors. From 150 distinct insights, we distilled our list of ten bold moves.

Future headquarters should be reimagined as places that accelerate a culture and mindset of continuous learning

The financial-services industry is a clear leader in digital transformation, with customer expectations rising as the adoption of digital platforms increases.⁶ Addressing a talent gap by hiring experienced professionals from competitors is both expensive and unsustainable, so firms must attract and upskill talent from within and from other industries.⁷ Future offices must be magnetic enough to inspire current and prospective employees to come in, collaborate, and participate in a university-like culture of continuous learning.

Financial-services firms can better position headquarters to upskill and reskill their workforces by moving boldly:

- *from windowless training rooms to inspiring learning nooks and alcoves*

A physical environment can communicate the centrality of learning—or, on the contrary, make it seem like an afterthought. Consider the traditional approach to training: employees learning a new software system or other

technical skill are often shunted off to a windowless training room segregated from core work areas.

To put learning at the center of the work experience, companies should create inspiring, technologically enabled settings designed to facilitate teachable moments near active work areas. These could be small rooms, alcoves, or nooks that are welcoming and easy to access. Clear, interactive signage can encourage staff to explore options (for example, via a scannable QR code), and digital platforms can prompt users to engage with available learning resources at the right moment.

By putting training and upskilling in a visible and accessible part of the office, employees can watch one another, their managers, and top executives model new learning behaviors. Everyone must take part in digital upskilling: in today's financial institutions, "You need to be able to manage a more technology-heavy staff, and therefore you have to have a higher skill set around those technologies as well," said a former vice president in charge of career paths at one of the top five largest US banks.

- *from urban silos to campus-like communities*

Financial firms with strategic headquarters in city centers should apply creative influence to the surrounding neighborhood, advocating for (if not directly controlling) amenities and services such as education, innovation, retail, transport, and entertainment. Real-estate decision makers should take an active interest in fellow tenants and the surrounding community, investing in the streetscape (such as with bike transport) to uplift the community and support sustainability efforts.

For example, when a global banking leader constructed a new US headquarters, it acquired and upgraded a hotel adjacent to the building.

⁶Financial life during the COVID-19 pandemic—an update," McKinsey, July 23, 2020.

⁷Skill shift: Automation and the future of the workforce," McKinsey Global Institute, May 23, 2018.

⁸Rachel Emma Silverman, "Looking for ideas in shared workspaces," *Wall Street Journal*, March 20, 2012.

The hotel not only serves the needs of visiting clients and employees but also provides alternative spaces for ongoing, large-scale training programs.

— *from reservation-only conference rooms to magnetic centers of gravity*

Future workplaces should facilitate serendipitous encounters between employees. Easy-to-access meeting spaces should be positioned at the heart of the building's circulatory system to encourage collaboration.

Spontaneous interactions can be engineered. Technology giants famously place key resources, including food, stairs, and exits, in places where the maximum number of employees will run into each other.⁸ Financial-services firms can be equally intentional by placing desirable amenities and “centers of gravity” between work areas whose occupants would benefit from increased connectivity.

— *from ‘just another day’ to ‘no two days are the same’*

In the pre-COVID-19 era, employees did not need guidance on how to use the office. Spaces were simple and routines were set in stone. Today, a dynamic headquarters where

employees come in for specific purposes can benefit from a dedicated community management team to curate interaction and programming both on-site and virtually.

Some companies are adding executive leadership roles with titles such as head of remote, vice president of flex work, and director of hybrid working⁹ to steer the culture changes that should accompany a real-estate transformation. A head of business transformation at a major commercial bank concurred with the need for cultural change to accompany real-estate change: “You want more than users of new digital platforms. You want adopters, advocates, even champions. That’s the art of change management.”

Future headquarters must attract, welcome, and recognize a broadly diverse workforce

Cultivating a diverse workforce—a critical objective across industries—is particularly important in financial services, where attrition of diverse candidates is an ongoing challenge.¹⁰ The next generation of diversity initiatives will require broader focus on racial, cognitive, and disability equality and inclusion of colleagues from remote

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⁹Jena McGregor, “The next in-demand job title: Head of the future of work,” *Forbes*, January 18, 2022.

¹⁰“Closing the gender and race gaps in North American financial services,” October 21, 2021.

locations and a wider range of educational and socioeconomic backgrounds.

Financial-services firms can deliver financial-services headquarters positioned to support diversity and belonging by moving boldly:

— *from accommodating the status quo to designing for who you want*

Cutting-edge headquarters should be designed around a forward-looking assessment of future population demographics across a wide range of variables.

During a recent US headquarters relocation project, one major global bank found that seemingly small, inclusion-oriented decisions generated an overwhelmingly positive employee response. “We started by conducting diversity-oriented focus groups that asked participants for ideas that would contribute to aspirations including gender parity across all businesses and levels,” said a real-estate executive involved in the project.

The firm executed several of these ideas, she said, including thoughtfully designed “wellness rooms” to support nursing mothers and employees who need a prayer space. In addition, the dining hall reserves stunning views with seats that are clearly designed for eating alone—seating that may be preferred by individuals with neurodiverse sensitivities and, for many others, a welcome respite from a stressful day.

— *from ‘Can you hear us?’ to ‘It’s like you’re here with us’*

Future offices must provide ways to meaningfully and seamlessly include colleagues who are collaborating virtually. Traditional conference rooms are limited to basic collaboration tools such as speakerphones or videoconferencing capability. Instead, a variety of rooms and spaces can be reconfigured around ultra-high-fidelity telepresence systems,

360-degree cameras, digital whiteboards, and mixed-reality environments.

A handful of financial-services leaders are venturing into the next frontier of workplace real estate: the metaverse. They are buying virtual plots where they can design “lounges” and inviting users to create avatars, watch videos, learn about their blockchain businesses, and familiarize themselves with the metaverse.¹¹

Cutting-edge tech should be supported by deep thinking about company culture and working norms. Illustrating this principle, one leading insurance firm created a hybrid-work handbook with guidelines for facilitating and attending hybrid meetings (for example, how to set up the room) and postmeeting best practices.

— *from physical fitness to holistic employee wellness*

As companies tackle burnout and its contribution to attrition and the loss of diverse talent, they should think holistically about how real-estate choices affect employee wellness. For example, providing convenient bike storage and shower facilities could lead more employees to take inspiring bike commutes to work. Green and intelligent building technologies can promote better air quality, access to light, water, and acoustics. Wellness rooms and programs make it easy for employees to take care of themselves.

It’s important to recognize that wellness goes beyond physical fitness. A large insurance firm launched a program providing stress management coaching to top leaders. Some new facilities are “going green” with rooftop vegetable gardens and beehives that put tenants in touch with nature.¹² A global asset management leader is offering school supply shopping and virtual-tutoring services for busy parents.

¹¹ Pascale Davies, “JP Morgan becomes the first bank to open in the metaverse where you can shop with crypto and NFTs,” Euronews, February 17, 2022; “HSBC buys virtual plot of land in digital push,” Reuters, March 17, 2022.

¹² Jane Margolies, “Offices dangle beehives and garden plots to coax workers back,” *New York Times*, August 25, 2021.

Amid the rise of disruptive fintechs and a fast-evolving financial landscape, it is important that financial firms make their headquarters both beacons and hubs for radical new ideas.

Future headquarters must be conducive to innovation, start-up culture, and a bias for action

Amid the rise of disruptive fintechs¹³ and a fast-evolving financial landscape, it is important that financial firms make their headquarters both beacons and hubs for radical new ideas. There is substantial value at stake through financial data sharing, but capturing it will require significant innovation across departments and with new vendors, partners, and technologies.¹⁴ Offices should facilitate sharing of challenges and ideas while maintaining security and compliance.

Financial-services firms can deliver financial-services headquarters positioned to support innovation by moving boldly:

- *from closed doors to open ecosystems*
“It’s important to work closely with start-ups and even bring them into the building,” said the former head of strategy at a major bank. “If you are a start-up physically working and sitting in a bank’s headquarters, you will be less likely to work for a competitor.” One example is a large financial-services company that created a mentorship program with start-ups who get free office space.

In exchange, the company gets the first right of refusal for any innovation the start-ups develop.

Invite innovators in—but do it safely. To facilitate partnering with outside innovators, companies should consider providing segregated network access for visitors and novel technologies.

- *from the corner office to cross-functional spaces*

Traditional offices were designed to address a range of bespoke requirements from different business units, often including lavish space entitlements for senior leaders. Today’s modern headquarters shouldn’t be designed around legacy hierarchies but rather built along flexible design principles so that all but the most specific needs (such as something legally required) can be solved for in almost any space. The idea is to fit the people to the space, not the space to the people.

Multifunctional, agile teams should have spaces to innovate, advance strategic decisions, and solve challenging business problems quickly. These dynamic collaboration zones should be easy for participants across the organization to

¹³ John Euart, Alexis Krivkovich, Olivia White, and Zac Townsend, “How US customers’ attitudes to fintech are shifting during the pandemic,” McKinsey, December 17, 2020.

¹⁴ “Financial data unbound: The value of open data for individuals and institutions,” McKinsey Global Institute, June 24, 2021.

access. They should also be visible to both top executives and clients so that the company's innovative mandate is front and center for all stakeholders. The most innovative financial-services companies are already adopting flexible office designs to be more responsive to changing business needs.

leader from a leading European bank reported, "We dedicated an entire office floor to become a 'living lab' full of furniture and other items employees are testing, and people love it. It allows them to have control over their environment, just like they would at home."

— *from celebrating the past to displaying the future*

Companies are proud of their legacies and often make history the focus of the public-facing parts of headquarters. We believe companies' most innovative products and programs should also be displayed and referenced throughout the building, with staff and visitors alike encouraged to engage with the ideas.

Financial-services firms have an opportunity to reinvent their headquarters and other offices as the pandemic subsides and more choices of where and how to work reemerge. Companies can consider some or all the bold moves presented here to prepare their environments for the future of learning, diverse talent, and the entrepreneurial collaboration they need to succeed. By crafting real estate to support the major inflection points within the industry, banks and insurers can accelerate and support their transformations.

Similarly, there should be space set aside for rapidly iterating on the office and employee experience itself. For example, a transformation

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