June 2019

Staying Ahead of the Curve: Tech Convergence in Financial Services Q&A

How are financial services firms responding to the changing digital landscape? This article answers some of your most pressing questions as they relate to tech convergence, and how firms are adapting to an ever-changing business environment.

Financial services firms are in the process of looking for innovative ways to adapt and transform traditional practices for the digital future. To compete with technology firms and the growing popularity of the Silicon Valley approach to attracting and retaining key employees, the industry needs insights into the methods and strategies that tech firms employ.

We recently hosted a webinar to discuss the top trends in HR for technology companies and how financial services firms are responding. The session sparked questions around a number of related topics, including company culture, location strategy, new skills, pay equity, and transforming rewards practices. This Q&A article tackles some of these inquiries, while providing additional insights and recommendations for staying ahead of the curve in the digital world.

To what degree do heavily regulated traditional financial services firms need to adapt their culture to remain relevant?

The way tech firms and financial services firms operate is different on so many levels—career frameworks, collaborative structures, speed of operation, agile working, high utilization of equity in rewards programs, generous lifestyle benefits—the list goes on. These differences may seem like a gap too wide to close, however, even small adjustments will help lay the groundwork for attracting and retaining the tech talent that will pave the way for future success.

There are two key pieces we advise our clients to start with: determining what aspects of the firm's culture can be adjusted that would better speak to tech talent and identifying what works well in the current culture and rewards framework to ensure it is maintained. For example, can your tech roles participate in a pilot for a job architecture that flattens their organization and de-emphasizes hierarchy? And, does your company have global operations that offer employees the chance to live in different countries? Highlighting these types of opportunities may speak to tech talent more so than compensation, helping to drive the cultural change needed to set the stage for a larger transformation.

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There is no doubt that financial services will eventually experience a full digital transformation. Digital will no longer be a buzzword, a large transformation project, or a function within the firm. Instead, it will be the fundamental root of everything that we do—just as it is for technology companies. For tech firms, there isn't a distinction between traditional and new. The entire firm is digital and works in the same way. Traditional financial services firms will need to follow suit.

For financial services firms to fully embrace the technology sector way of working, they must adapt their existing culture. Without change, the financial services sector will struggle to hire and retain the technology talent needed to pave the way for future digital success.

What factors are firms considering when it comes to location strategy and competing for top talent in high cost locations?

High cost locations often come with a double-edged sword—there is a lot of available talent, but there is also high demand for this talent, particularly the above average performers. Organizations are taking a surgical approach when thinking about this talent. Many of our clients are focused on talent or workforce skills segmentation, creating a strategy to identify what skills are critical to future growth and formulating a plan to acquire those skills. This may involve a premium compensation strategy or other approaches to reduce the reliance on acquiring new talent in high cost locations. For instance, in certain situations, companies take a buy versus build approach, while others focus on talent retention and internal development strategies to create the top talent in their current locations. Additionally, some organizations supplement the above with a long-term talent view by creating a strong talent pipeline within universities, helping to build an influx of analyst, associate, and entry level engineering talent.

When seeking external talent, carefully considering office location is essential for attracting top talent in high cost areas. Location analytics help optimize geographical footprints by considering labor cost and availability. The smartest companies are moving towards "best combination" cities, with abundant technical talent, marquis employers nearby, and an attractive quality of life.

How are firms developing non-tech staff to grow in a tech-centric financial services environment?

Long-term success will require the entire organization to get ahead—and not just tech talent. Therefore, it is crucial to help all employees, including non-tech staff, grow in the digital world. Companies are finding that the core elements needed to stay ahead of the curve are not necessarily the employees' technical or digital skills, but broader competencies, such as the ability to learn, agility, and being open to change. By harnessing these behaviors, organizations can create adaptable workforces that channel innovation, continuous curiosity, and self-improvement—which are all essential components of a continuously evolving workplace.

We have identified six steps that firms are taking to improve digital readiness for all employees, including non-tech and tech talent:

1. **Assess and develop your leaders:** Your leaders are the catalysts for, and the role models of, successful digital working across your firm. If the message to develop comes from the top, then it is more likely to be heard. Make sure you provide the resources for them to be thoroughly prepared.
2. **Assess and up-skill your existing employees:** Assess your employees and create targeted development programs to address any competency gaps that are needed for a tech-centric workplace.

3. **Adjust your recruitment process:** When bringing on new staff, make sure you are recruiting people who prefer digital working in all roles, and not just tech roles. This may require you to redesign job roles to reflect new key behaviors.
4. **Initiate intelligent digital processes:** New work practices, systems, process, and workflows should be developed to support digital working, agility, and innovation. Any previous practices encouraging counterproductive behaviors, such as silo-based working, should be scrapped or updated.
5. **Promote cultural acceptance:** Your firm should create a culture where innovation can thrive—one that acknowledges the importance of digital skills and digital working at every job level.
6. **Provide HR support:** Digital transformation will only succeed through employee development and recruitment. HR is responsible for not only driving and managing these processes, but also supporting any resulting changes throughout the business.

While the need for companies to innovate has shined a bright light on attracting and retaining tech talent, the impact that technology has on non-tech employees uncovers a need for more development throughout the organization. Addressing even one of these steps can help to develop non-tech staff and enable digital working across the organization.

How are technology companies managing pay equity, especially when there is such vast differentiation within the same job?

Creating similarly situated job groups is critical to any pay equity study. High growth or fast-growing companies often do not have well defined job taxonomies, job family architecture, grading structures, or pay ranges. This poses challenges when developing pay equity models. Firms must investigate what factors are contributing to the vast differences in pay within the same job. Are there logical factors like location, previous relevant experience, scarce skill availability, education, etc. to create these differences? Many of our clients are focusing their efforts on creating a job architecture and pay ranges that emphasize the importance of structure within their organization. In cases where sufficient structure is not available, the job architecture process is more refined, requiring firms to work closely with HRBPs and business leaders to understand how comparable jobs should be created. This requires additional levels of validation and substantially increases the focus on job architecture.

Technology firms are also considering job architecture in relation to career frameworks. For instance, do you want to group jobs as horizontal cohorts (all analysts in level 1 are similar, all engineers in level 2 are similar, etc.)? Or, do you want to focus more on vertical cohorts? For example, a financial analyst is different than a marketing analyst, hence all financial analysts should be in one group and use levels as an input into the model to control for pay predictions. This decision depends on how the organization's pay philosophy is structured, what is most important to the firm, what helps retain talent, and its existing market proposition.

What rewards strategies are firms using to attract and retain candidates with the specific skills needed in today's tech-driven market?

When searching for specific skills, it is important to not overreact, over-title, or overpay—doing so can create an unsustainable program that is hard to unravel if and when the skills become commonplace.

Most financial services firms are evaluating their employee value proposition and rewards approach to attract and retain necessary tech talent. Below are some key strategies that the industry is adopting:

Get baseline compensation right. In today's tech-driven war for talent, it has become crucial that your benchmark data includes jobs with specific, in-demand skills. Most financial services firms are broadening their location beyond the typical geographic scope and looking at industries in the tech space that may have more employees with these skills for a better representation of the market. Only then can you be sure that your baseline compensation package is suitable for tech talent.

Specific cash / equity plans. Once compensation is covered, many financial services firms are starting to borrow a popular tech company practice—special recognition programs in the form of additional cash or, in many cases, equity. Technology companies often use these programs to provide extra rewards to key contributors, high performers, and new hires. While a small addition to the rewards budget, this benefit can have a significant, lasting impact on talent, providing a competitive edge without necessarily breaking their salary ranges.

Focus on employee experience. Candidates with hot or scarce skills may have multiple offers from firms within several industries. In such cases, compensation packages may not be the deciding factor. What ultimately tips the scales in favor of one company over another is the employee experience. Most financial services firms have acknowledged the need to set up a separate office where benefits, such as free catered lunch, fitness classes, flexible work schedules, bring your pet to work, on-site gaming and recreation areas, flexible dress code, amongst others, can be implemented without disrupting the existing legacy structure. These kind of lifestyle benefits are critical for attracting and retaining technology talent in financial services.

Create an enabling work environment. A few financial services firms have introduced the agile work model with flat / collaborative organization structures to enable a fast-paced work environment.

We often see companies that are struggling to hire turn their focus towards these areas, zeroing in on mission, products, individual teams, projects, and the true value of their company as a means to compete for talent. While compensation is important, it isn't always the be-all-and-end-all differentiator.

Have additional questions? We are always here to help. To learn more about technology convergence and how to keep your financial services firm ahead of the curve, please contact our team or visit our tech convergence landing page here.

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