

# Fighting the War for Digital Talent

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*What should financial services firms keep in mind as they design their employee value propositions and total reward strategies to compete for top tech talent? This article discusses the evolution of financial services in the digital age, compares the industry practices of financial services and technology, and offers food for thought when adapting your firm's talent and rewards strategies to the new digital world.*

During the start of this digital transformation, as a leading provider of compensation data and benchmarking, we were often called by clients to answer the question: "Are we paying our digital talent adequately against other financial services and technology companies?" It was clear that firms were struggling to hire technology talent, and even if they did manage to succeed, retaining these high-demand employees was another challenge. Losing valuable talent to start-ups was common, and large financial services institutions wondered why. To most firms' surprise, our reports revealed that financial services firms were often paying far more than technology firms—at least at the senior levels. So, wherein lied the problem? Despite throwing so much money at technology talent—including buying out their considerable stock plans—it was often not enough.

As it turns out, the problem didn't stem from compensation. For most financial services firms, the need to evaluate their overall employee value proposition and total rewards strategy was a substantially bigger ask than just paying more for necessary talent.

Following some initial apprehension, firms are now coming to terms with this reality, although some are moving much faster than others. Financial services firms are realizing that to truly become digital, traditional structures and longstanding practices in the workplace must change. To start, it's important to acknowledge that digital will not just be a subset of an organization, but rather an integral component of the firm that will result in new cultures, systems, pay bands, office space, locations, benefits, career ladders, dress codes, and agile work environments.

To support these new digital initiatives, hiring and retaining the right employees is a top priority. What factors should financial services firms keep in mind as they design their employee value propositions and total reward strategies for this critical talent pool?

In order to answer this question, our tech convergence team set out to compare practices across financial services and technology firms, which we discuss in greater detail below. The results provide some interesting insights, or "food for thought," for those tasked with supporting their firm's digital transformation.

## Location Strategy

First, we entered all the incumbents in our global database across financial services and technology into a visualization tool that plotted them on a global map using post codes. The analysis revealed interesting insights regarding where the talent is clustered.

We were not surprised to find that in the U.S., technology talent is centered around the Silicon Valley, New York City, and Seattle. The financial services talent resides in and around New York City. While there are other hubs emerging, none are as large as these centers. In the UK, technology talent is more spread out around London and across the UK—near the M25 motorway, Reading, Cambridge, Warwick, Manchester, and Birmingham. Financial services can be found clustered in and around the city of London and Canary Wharf areas.

**Food for thought # 1:** When financial services started establishing their digital offices, they chose to remain in and around their existing offices. This approach made sense from a cost of operation standpoint, as well as integration with the larger business. But is it the best approach when it comes to the availability of talent? Are financial services firms facing an issue with hiring and retaining technology talent because they are not based where the largest pools of these specific skills reside?

## Turnover

Second, we compared turnover rates across both sectors. We noticed that turnover is typically higher at technology firms than financial services. This is likely due to the technology talent's need to constantly upskill. Often, people in this field switch jobs to work on latest technology / software and stay relevant in the fast-paced tech landscape. Digital talent hired into financial services are likely to share the same needs.

**Food for thought # 2:** Should financial services firms treat high attrition in their digital function as the new norm and instead invest in proactive backfilling measures for such talent?

## Career Ladders

Third, in terms of career ladders, technology firms have an established dual-track career ladder, giving way to both managerial and technical options. Expectedly, it is not uncommon to find the technical option as a more sought after and popular path to follow. For financial services, a technical ladder is almost non-existent.

**Food for thought # 3:** Why would a highly skilled technical individual join or stay at a financial services firm if it does not recognize his or her specific skill set?

## Equity Based Compensation

Fourth, the regulatory environment for financial services firms restricts the amount and structure of variable pay that can be awarded as part of their total package. This isn't a problem for technology firms, who often provide a large proportion of employee pay as equity, even to entry level staff. This, coupled with the fact that technology firms' equity has a much higher perceived value compared to that of financial services firms, doesn't make things any easier for the financial services industry to attract talent.

**Food for thought # 4:** Do financial services firms need to find ways to offset this weakness using innovative and unique designs? How can financial services firms best articulate and demonstrate the value of their reward packages?

## Benefits

And finally, the way technology companies develop technology and automation to provide a seamless customer experience seems to influence the way that they manage their own employee experience. Extensive benefits are used to support the employee experience, which in turn helps attract and retain key technology talent. Company-provided shuttles, on-site medical clinics, fertility assistance, on-site spa services, free meals, on-site yoga / fitness classes, flexible work schedules, bring your pet to work, adoption assistance, company happy hours, on-site gaming, and casual dress codes are just some benefits that set technology firms apart from financial services.

**Food for thought # 5:** Should financial services use benefits more strategically to drive their employee value proposition for attracting technology talent?

## In Conclusion

As digital transformation continues to replace longstanding practices and financial services firms learn to adapt to the new normal, it's important to analyze where your firm stands and consider new talent and rewards approaches that can compete with the technology industry. What sets your firm apart in the digital age could well be who gets there first. Financial services firms need to understand the competitive offerings of the tech sector, consider revisions to their own approaches, and communicate their full employee value proposition to effectively attract and retain necessary talent to ensure future success. Unlike the traditional financial services way of working, the technology way of working is all about innovation and speed. It's time to embrace change, adjust your practices, and move full speed ahead.

Want to learn more? In our recently published Talent & Rewards Side-by-Side Study, available now, we delve into great detail of the market practices across the technology and financial services industries. To view the report introduction, please [click here](#). We can also deliver a custom report, depending on your firm's needs. [Contact our team](#) for additional information and to purchase the report today.

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