Current Themes and Major Shifts in How Finance and Technology Think About Talent

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In the wake of great economic and regulatory changes, how are banking and technology companies evolving how they think about talent?

We're living through a time of great change; banking and technology are two industries positioned at the forefront of that change. The changing economic landscape combined with a tight talent market and new regulatory frameworks creates an interesting and, for some, daunting future.

What does this mean for how banking and technology companies across the U.S. think about their talent and reward practices?

In a time of changing economic circumstances, how is the technology industry thinking about talent?

How does the current changing environment affect how the technology industry thinks about talent? Kartik Balaram, Lead Consultant at Meridian Compensation Partners, LLC, is closer to the issue than most.

"There's definitely a level of uncertainty and angst in the technology space on where the market is going to go in 2023," says Kartik. "I think a lot of technology companies are focused on profitability and ensuring that there's proper cash flow."

Fears of recession and further economic strife, combined with other issues, have prompted many companies, such as Meta and Twitter, to lay off staff in headline-making numbers.

Despite rounds of layoffs and down rounds across the industry, the demand for talent remains strong. "That hasn't really impacted the demand for talent, specifically seasoned talent like engineers and executives who have had the experience of navigating shifts in the business model to a recurring revenue or SaaS model."

Some things companies are struggling with include equity budgets. Equity has been the most significant lever in compensation programs for executives and non-executives over the last ten years, but in harsh market conditions, it's becoming harder for companies to deliver hyper-competitive equity.

As Banks, Financial Services and Technology co-locate for the first time, will we see a change in compensation?

One particularly interesting trend of the last few years has been major companies in both technology and finance moving away from their respective strongholds in Silicon Valley and Wall Street and establishing presences across the U.S.

In the past, huge amounts of money in technology coupled with the allure of the California lifestyle made it very difficult for financial firms to pull talent away from Silicon Valley. As the allure of California fades and technology firms are reassessing their staffing program, other industries have the opportunity to recruit top technology developers.

Most of the competition, Kartik believes, will happen in the fintech space, where there's a significant crossover between finance and technology. However, he doesn't foresee any real shift from the traditional technology compensation model which is equity and stock option leveraged vs the traditional financial service model.

In the wake of new regulations around pay disclosure, will this affect how firms hire top talent?

One of the biggest trends in the financial world in recent times has been the introduction of new, strict regulations and governance. The SEC finalized two new disclosures: pay for performance and a clawback disclosure.

The first of these requires public companies to be more transparent about how much compensation their executives receive in comparison to their performance and that of companies in their peer group. The second, as the name suggests, is an attempt to claw back any compensation that was erroneously awarded.

So how does this impact public companies when it comes to attracting top talent looking for high financial rewards?

"To me," says Kartik, "this is a non-issue in terms of executive talent. A lot of these mature technology companies already have formal clawback policies in place."

Many companies based on the West Coast are now beginning to put governance systems in place as public companies, a process that takes three to five years. A lot of companies have been in a "wait and see" mode since the SEC rules were announced, waiting for more clarity in order to do things just right to make sure the company was protected.

Kartik says, "Fraud and misconduct are two leading-edge pieces, but no one's trying to get out ahead of it. I think they will dip their toes in, they'll set up a policy that's compliant with the rules. And then it might be an evolution — as they continue to grow and mature, and there's significant risk out there, then potentially start to amend that to include misconduct and fraud because it is competitive within the market."

Ultimately, it seems that companies are just trying to do what it takes to stay compliant right now, and not much more. Nobody is sure what will happen in the near future and they can only work with the information they currently have.

When it comes to compensating talent, companies have to be more aware of the rules in some areas than they perhaps were in the past, with the added worry of potential (albeit unlikely) clawbacks of erroneously paid compensation to existing employees.

Although it's a time of uncertainty, many things look set to remain the same. Top firms will still want to hire top talent and they'll still be prepared to reward them accordingly. Finance and Technology will compete a little more for those people but pay models will likely remain distinct.