How Technology and Finance are Thinking About Talent Strategy and Compensation

By: Darren Moskovitz & Kartik Balaram

In a time of great economic turbulence, companies of all shapes and sizes are thinking about how they recruit new talent and especially about how they compensate their employees and reward their service. When markets are crashing and stock prices are tumbling, many companies are in a tough position – is equity-based compensation on top of base pay an attractive allure?

In this article, we look at how companies are reacting to these market conditions, and how their job descriptions, compensation programs and talent strategies are adapting.

Federal reserves, interest rates and recession fears: How are companies responding?

One thing is for certain — we're living through a time of economic uncertainty. Financial dynamics are changing incredibly fast, and the technology and finance industries are no exception. In fact, in many ways, they're at the forefront.

What does this mean when it comes to how technology and finance companies think about talent and the payment of top employees? Kartik Balaram, Lead Consultant at Meridian Compensation Partners, LLC, sees many consequences.

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

Recession fears, in particular, are dominating the technology industry in 2023. Major reductions in the workforce of companies like Twitter and Meta are symptoms of this anxiety. However, the demand for top talent is still there.

Kartik says, "This hasn't really impacted the demand for talent, specifically technology talent — engineers, executives who have had the experience navigating shifts in the business model from a pure revenue standpoint to a recurring revenue model or SaaS model."

On the other hand, one of the biggest challenges for technology employers revolves around equity budgets. Over the previous decade, equity compensation plans were a major lever when it came to paying executive staff members. Still, in a time of economic strife and low stock prices, it's harder for technology companies to deliver hyper-competitive equity rewards and meet employee expectations.

How will companies respond? Will they shift away from traditional incentives like high salaries, seductive stock options and impressive bonuses based on job performance, and move towards things like flexible work hours, retirement plans, and health insurance, doing what they can to lure the best human resources to their organization even in tough financial times?

How are financial services and technology companies adapting to changes in talent acquisition and market volatility?

So with all these recent changes and new information impacting the way companies hire and compensate their employees, how are financial and technology companies planning to adapt?

One of the big changes seen recently is a gradual drift — from both the technology and finance sides — away from traditional strongholds in places like San Francisco and New York City.

“Technology companies are setting up hubs all over the US just to try and tap into talent, probably below the executive level, in certain critical knowledge-based regions,” says Kartik. “So, Texas is one of them, Utah another, and Nashville is one that's actually coming up.”

It’s an interesting and previously unseen scenario — where technology and finance companies that have competed for the best talent for decades are now doing so much more in the same geographic spaces.

However, beyond specific areas like fintech, Kartik doesn’t see a huge impact here when it comes to compensation and talent strategy. “I don't see any dramatic shift,” he says. Instead, we’re likely to see a continuation of the trend where financial services focus more on cash-based compensation packages, and technology companies rely on equity compensation, stock-based compensation, and other benefits in addition to base salary.

What’s the impact of the SEC’s new clawback disclosure rules?

One major talking point in the world of talent acquisition and compensation strategy for both financial and technology is the new SEC clawback disclosure. The disclosure requires that companies create a policy to recoup compensation from their employees if that compensation is later found to violate regulations.

How does this affect the search for talent? According to Kartik, not much. He says, “To me, this is a non-issue in terms of executive talents looking at the overall program and knowing that there's a clawback in place. To me, it's kind of an assumed piece of the overall package.”

Many mature technology companies already have formal clawback policies in place. Meanwhile others — like pre-revenue companies in spaces like biotechnology — are beginning the process of going public, a process that will take several years to finish.

Lots of companies, according to Kartik, are in a “wait and see” mode right now when it comes to clawback policies. “Some have adopted clawback policies just to do it right, just to kind of check the box and include certain things in there that will protect the company. But they're not trying to be a leading edge.”

Nobody, says Kartik, is really trying to get ahead of the SEC disclosure. He expects most companies to do their job and stick to what’s required, set up a policy that’s compliant with the rule, and make amendments as they grow and mature, for example, to include misconduct and fraud.

“Clawbacks have been very rarely implemented, but it is a good piece to have just to protect the company,” says Kartik. “And I think now that the rules are out, companies will take their time… they'll probably put it in place around this time next year.”

It’s an interesting time for technology and finance companies, and they’re not alone. In the face of rapidly changing economic conditions, shifting industry trends and new regulatory requirements, these two behemoth industries are both rethinking their approaches to hiring and compensating top talent.