

The 2018 McLagan Perspectives Report: An In-Depth Exploration of Current and Future Trends in Financial Services

We are in an age of major global transformation for financial services. As technology continues to shape a new industry landscape, firms are forced to rapidly adapt to trends in the current market, including longstanding talent and rewards strategies to stay competitive in the race for tech-enabled talent. This is a challenge that financial services firms must face head on, while at the same time contending with political and social unrest, economic fluctuation, and strong regulatory standards.

The year 2017 was one of continued political, social, and economic disruption. We experienced low inflation, fiscal paralysis, deep political divisions, and more, in addition to a greater focus on geopolitical, environmental, and social risks. However, from a global perspective as a whole, low interest rates, a solid economic forecast, and increased risk appetite have boosted asset prices and suppressed volatility. Given macro-economic changes, as well as society's rapid leap towards technology, financial services firms are forced to adapt and determine how to fuel profitable growth, transform traditional structures, and prepare for whatever the future may hold.

Given this changing environment, we decided to team up across sectors and regions to put together a comprehensive piece that spans the industry, offering actionable insights and strategies for successfully shaping the future of talent, rewards, and performance practices across three primary themes:

1. As technology continues to shape a new industry landscape, financial services firms must adapt longstanding practices
2. Regulation will continue to uncover discrepancies that were hidden beneath the surface
3. Firms must prepare for uncertainty in 2018 and beyond

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As technology continues to shape a new industry landscape, financial services must adapt longstanding practices

We are in an era where technology is disrupting all aspects of financial services, forcing traditional establishments to innovate, re-think old tactics, and adapt to the ever-shifting digital world. Embracing digitization is required at all levels of organizations, including the management of employee data to support the hiring and retention of people that will effectively support the new demands of a technological financial services industry. It's time for financial firms as we know them, which are traditionally in the business of managing risk, to think laterally and foster that startup mentality associated with so many emerging and highly appealing technology firms to adapt their product, customer experience, and talent strategies. Firms that invest wisely in technology will be the ones best placed to succeed in the future.

However, along with making smart choices about their technology investments, firms are faced with today's fierce demand for digitally-enabled talent. We believe that the financial services industry will remain people-heavy in the foreseeable future, which means that firms must focus on creating a nimble, agile workplace with a defined culture and value proposition that will keep top talent engaged. Even more, financial services organizations will be forced to reevaluate their rewards mix, as traditional methods may not be sufficiently flexible to attract and retain the right talent in the digital space.

Regulation will continue to uncover discrepancies that were hidden beneath the surface

Both the global economic crisis and surging number of scandals in recent years have unsurprisingly caused tightened regulations and a demand for new levels of transparency for many financial services firms, especially within the United Kingdom (UK) surrounding gender pay gap reporting and pay equity concerns. Policies in the U.S. around executive pay, including say-on-pay and the first year of the CEO pay ratio remain. The reins are beginning to loosen under the new U.S. administration, but firms must still pay more attention to accountability, cyber risk, and security procedures as a result of the increasing digital economy. It is important for all firms, global or not, to be thinking through potential implications on their rewards strategies. It will be even more important for firms to establish clear communication plans, both internally and externally, and to ensure that there is a concrete strategy for their employee value propositions. Firms must also confirm that they have strong competitive compensation packages backed by market data.

Overall, we see regulatory changes in the market as a whole calling for the need for firms to examine and address the factors that created these challenges, and then find the best way to respond appropriately.

Firms must prepare for uncertainty in 2018 and beyond

Given the latest economic and political developments across the globe, the future is, without a doubt, obscure. Therefore, we recommend firms turn back to the basics of their business and people strategies. To be in a place to effectively adapt to the future, firms must think through how to define the right talent pool, what technology investments are necessary to stay competitive in the market, and where adjustments to expenses should be made in order to stay financially viable.

Even more, developing resilience at both the firm and people level will be increasingly important. At the corporate level, this means developing a business model that is flexible, allowing the organization to adapt. For your people, consider implementing resilience training and examining how your culture supports the development of highly resilient employees. We must all remember that change is not failure. As Winston Churchill once said, “To improve is to change; to be perfect is to change often.”

To learn more about current and future trends in financial services, including what we expect to see in compensation practices, aligning performance with rewards, and positioning your firm to attract and retain the best talent in 2018 and beyond, we invite you to [download your complimentary copy of the Perspectives Report today.](#)

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McLagan provides tailored talent, rewards, and performance expertise to financial services firms across the globe. Since 1966, we have partnered with the largest and smallest financial services firms to help them make data-driven decisions to hire, retain, and engage the top talent for keeping the global economy running. Our compensation surveys are the most comprehensive, in-depth source of rewards data covering over 150 countries from more than 2,500 clients. Our consultants work with hundreds of firms annually to design total rewards programs and benchmark financial performance for boards of directors, executives, employees, and sales professionals. McLagan is a part of Aon plc (NYSE: AON). For more information, please visit mcclagan.aon.com.

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