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## For Financial Services Firms, COVID-19 Means Navigating Uncertainty on Many Levels

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*In the midst of an ongoing humanitarian crisis and growing economic concerns, financial services firms should take a step back to thoroughly assess and evaluate their operations.*

Financial services firms of all types face numerous challenges as they adapt to a “new normal” in response to the evolving COVID-19 pandemic and its widespread social and business implications. Most organizations today, like most people, are all asking the same fundamental question, “*Where can I afford to spend money, and where do I need to cut back?*”

When facing questions of this nature, families often start with a pause, and then work together to evaluate the situation based on the facts at hand, including where are we spending money now, what sacrifices can we make and how can we change our spending habits to potentially do things differently? This way, when changes arrive, everyone is ready to move full speed ahead in alignment and with confidence. We believe this personal approach is applicable in business as well.

As leaders in the human resources and compensation arena, this pause-and-evaluate method can help you take control of the situation and model out different scenarios. In other words, crisis management mode should not equate to panic mode. Instead, now is the time to arm yourself with valuable data and insights to ensure you are positioned to take an objective look at the current state of affairs, and then make informed decisions to drive meaningful change and positive outcomes for your business and your people. In doing so, you’ll not only help your firm manage the crisis at hand, but also set a strong foundation for stabilizing your business even as more economic uncertainty lies ahead.

In our view, here are some key questions firms should be asking to ensure they are well prepared for the future.

### Where Are We Spending Too Much? Or Too Little? And Are We Spending Money in the Right Places?

The world is changing quickly right before our eyes, and what used to be important to a firm may now be less so. Conversely, some backburner projects will probably move front and center. First, it’s critical to think about your immediate goals. Based on this, HR leaders and managers should prepare to carefully consider where to invest their precious resources and how to best allocate spend. For some, this means taking time to evaluate not only

the here and now, but preparations for the future. How can we build a more agile workforce? What did we learn from transitioning our employees to remote workers? Which of our costs now seem extraneous? In many cases, we are seeing firms take immediate action to spend more on health, benefits and wellness programs and less on contractors, travel and entertainment.

One specific example that's been pushed to the forefront is that of technology convergence. In response to the COVID-19 pandemic, firms have dramatically accelerated their reliance upon technology tools and talent. Early adopters are reaping the rewards of already having a tech-savvy workforce and ample tools in place, which allowed them to go straight into crisis management and stabilization mode, while others are rushing to catch up. Now might actually be the time to double down on key technology talent and skills. This will pay dividends today and support any transformation efforts down the road.

## Do We Have the Right Pay Programs in Place to Support Our Future Business Goals?

HR leaders and management are being forced to not only ask whether their pay programs and compensation philosophy will support the future, but more immediately, whether they can sustain them in the present. Compensation related actions are changing fast. For example, in our second major [COVID-19 pulse survey](#), published on April 15, we saw acceleration in the number of firms who are postponing, canceling or adjusting their approach to salary increases. For instance, some companies may pay less in cash and more in long-term incentives (LTI) this year. As the economic landscape continues to change, there are several items we recommend considering for both the near and short term to help stabilize and prepare your business:

- Evaluate and closely manage bonus accruals regularly — monthly at least. People will be talking about bonuses and it's important to stay on top of it and determine a plan for lowering expectations and aligning this to the bonus pool.
- Run different incentive payout scenarios based on criteria including changes in performance, revenue, assets under management and headcount. This is fluid and needs to be closely monitored.
- Consider reevaluating and updating employee and firm-wide annual objectives as you take into consideration the impacts of COVID-19. If changes are made, take time to create a comprehensive and transparent communications approach.
- Evaluate your compensation philosophy, which serves as a framework for important pay decisions. With input from HR leaders and other executives, ask if your existing approach still aligns with shifting business needs.
- Similarly, ask if your employee value proposition should change to focus more on the health, welfare and security of colleagues — attributes that will be increasingly prized in months and years ahead.

Like playing chess, now is the time to evaluate a full range of options and strategize for the long game. Avoid knee jerk actions that can only bring short-term gains and move forward with an eye toward protecting your most valuable assets and unique strengths. In the end, this is what will align your business for success — this is your king.

## How do We Incentivize our Top Performers?

We are now at a point of stabilizing businesses and must therefore find ways to do more — or the same — with less. Firms should be investing in critical existing talent and find new, creative ways to make their people feel valued — small gestures of appreciation can go a long way. Lower merit increases and LTI, coupled with changing compensation plans will affect engagement levels for high performing employees. Remote working also adds a whole new set of challenges, again placing more emphasis on the importance of strong employee value propositions to keep the workforce motivated.

Some potential avenues to explore to address new obstacles like these include:

- **Recognition plans** – For certain essential roles, we are seeing some of our banking clients awarding bonuses to employees on the front lines (e.g. bank tellers). Other large global banks are proving their dedication to their workforce through committing to avoiding layoffs in 2020.
- **Collaborative culture** – Instill a community mindset among your employees by frequently maintaining open, transparent communication. It's important for leaders to stay closely connected to their people despite the physical distance between them, and continuously ask for their opinions and needs. This is what will be remembered and have an impact on a firm's reputation going forward. It will also boost morale and show that every individual voice matters, ultimately providing organizations with stronger buy-in for the initiatives that are eventually prioritized. Some firms are even surveying their employees to see what they want and how they feel about plans for reentry. It's important for everyone to have a seat at the table.
- **Empowering innovation** – HR leaders and management should use this time as an opportunity to empower their employees to go beyond their usual “day-to-day” activities. Encourage them to think outside of the box when it comes to addressing the needs of their business and clients in this rapidly changing environment.
- **New short-term goals** – Whether qualitative or quantitative, creating fresh, short-term objectives can help firms gain some immediate quick wins, which will in turn create the momentum needed to reignite your workforce and continue driving results.
- **Cross functional task forces** – Create a unified work environment where people have the ability to work across functions and fill in where needed most. This will provide extra support for areas of the business that are experiencing increased pressure, while additionally offering potential growth opportunities and valuable development within your teams.

Also, and notably, firms should emphasize the measures they are adopting to protect and support their employees. In some instances, companies are adding new health benefits in response to COVID-19, such as telemedicine and mental health support. Other examples include complimentary online fitness classes, nutrition programs, financial counseling and more.

## What to Expect Ahead

While many levels of uncertainty remain, it's important to take a moment to use questions like these to help evaluate where you currently stand and ensure you are communicating plans effectively, both internally to

colleagues and externally to investors and shareholders. “Put yourself in a position where you can prioritize and move ahead with speed — and surround yourself with the expertise needed to address emerging concerns and updates from a pay and benefits perspective, while also preserving your capital,” explains Mike Pekkarinen, associate partner in the Rewards Solutions practice at Aon and a leader on the asset management team.

Firms should be actively moving forward with re-entry plans and closely considering how practices must change in accordance with the “new normal.” Our latest [Pulse Survey results](#) reveal more on this topic and what to expect. Currently, we are seeing some firms take the initial step in sending their first phase, or “Team A,” back in June, while other firms remain cautious and flexible as they contemplate various factors. When will reentrance officially begin? What about employees that now want to continue working remotely? How will we organize health screenings and workplace limitations and what impact will this have on business productivity? Clearly, the questions don’t end here. There are still many current and future uncertainties to address as the effects of COVID-19 endure. Over the next few months, we will continue to keep a pulse on this and are committed to helping keep you properly informed equipped every step of the way.

For additional insights on navigating changes in the financial services industry in the face of economic uncertainty, please reach out to one of the authors or write to [info@mclagan.com](mailto:info@mclagan.com).

## Additional Resources from Aon

To read more articles on how rewards professionals can respond to the COVID-19 pandemic, please [click here](#).

For more information about how businesses are responding to the current pandemic, including stakeholder communication, health and benefits impacts and business continuity planning, please see Aon’s COVID-19 Response Site [here](#).

To download complimentary results of our latest pulse survey on setting the stage for a return to work and the new normal, please [click here](#).

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