Managers at Risk of Losing Unhappy Sales Pros

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By Scott Johnson, Tom Stabile February 16, 2010

Senior sales, marketing and client service professionals at asset managers that focus on the institutional and private client channels are looking for new positions in far greater numbers than normal. That's according to recruiters as well as a new report that attributes the wanderlust to professionals who feel unappreciated in terms of compensation and career opportunities.

Most asset management firms responded to dampened revenue during the economic crisis with layoffs and a pull-back on compensation, but many do not appear to have adjusted their policies since the markets rebounded last year. And money managers may be wrong in assuming that this status quo is sufficient, says **Kathy Freeman Godfrey**, founder of **Kathy Freeman Co.**, a recruiter in San Luis Obispo, Calif.

Kathy Freeman Godfrey, Kathy Freeman Co.

Freeman recently explored the topic in a study – "Glad I Survived the Recession Employed, Now I'm Leaving!" – in which she surveyed about 100 senior sales professionals. "Has the recession and its accompanying high level of unemployment caused employer complacency?" Freeman writes in the study. "Are firms mistakenly believing that employees will not leave due to lack of employment opportunities?"

The study says asset managers "face a substantial risk of turnover going into 2010 within their senior sales and marketing ranks" and that they are "exposed to a talent drain that will further exacerbate their recovery process and hinder an affected firm's ability to compete in a post-recession battle for the consumer's share of wallet."

Freeman says the study – conducted in December with professionals focused on sales and distribution at institutional managers, high-net-worth client boutiques and family offices – found more than three-quarters of respondents considering a job change in 2010. “We don’t usually see this kind of willingness to move,” she says. “It seems as if coming out of the uncertainty of 2008 and 2009 firms are saying, ‘You should be thankful you have a role.’ I was sensing a tremendous disconnect with employees” who had just endured a stressful downturn.

The survey’s tilt toward experienced executives also hints at looming problems for managers in the loss of key relationships. “Given the seniority of the people that responded, there is little doubt that this pending disruption might impact a manager’s client base,” Freeman says.

Other recruiters say they’re seeing a similar level of interest in making a move. On the institutional distribution side, many professionals are open to at least “having a conversation” about opportunities at other firms, says **Laura Pollock**, a partner at search firm **David Barrett Partners**.

“The war for talent is back on in distribution, and these people within the firms know it,” she adds. “That’s one reason that they’re out looking. They’re getting those phone calls, they know the market is active, and if they’re not happy where they are, they can look elsewhere.”

And on the private client side – mostly private banks, boutique brokerages and high-end independent advisors – there is a notable shift to being open to new opportunities at both smaller and larger managers, says **Kelly Martin**, a partner in Austin, Texas for Colorado-based **Raymond H. Riley and Associates**, a recruiter focused on asset managers.

“We are seeing a surprising willingness to move on the sales side,” Martin says. “For people who weren’t looking to move – people who felt they had good comp plans before the downturn and were protected – a lot of that has changed.”

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Martin says the question remains, “Where in the world they are going to go?” But she adds that the doors are open for asset managers that have the capital to hire top talent.

Freeman’s study pulled in primarily senior sales staffers, and the preponderance were at managers with more than $100 billion in assets under management. All of the respondents had client-facing roles, ranging from consultant relations directors and sales directors to senior v.p.s. Freeman says she “hand-selected” the sample from people she knows in the business, most of them focused on separate accounts and mutual funds. The respondents were senior in the industry, with 42.5% having more than 21 years of experience and 42.6% around for 16 to 20 years.

Of the respondents interested in making a move, nearly a third cited compensation plan changes at their firms as the main impetus, while almost 30% said limited career opportunities were driving them.

Compensation structure was a main source of frustration, the study says, particularly with "capped" plans of fixed payouts replacing variable pay based on sales results. The respondents also cited a "lack of downside protection" for pay when revenues plummeted, as well as managers cutting commission payouts during the downturn.

Riley's Martin says most managers have pulled back on compensation, whether it has been firms cutting staff or others capitalizing to hire talented sales staff while pay levels are compressed.

And Barrett's Pollock says sales and consultant relations professionals likely feel frustrated that they've been working hard during the downturn but are not getting pay that recognizes their efforts.

Pollock also says sales professionals may look to move to asset managers that they perceive to have stronger products. "People want to go to firms that have stable platforms and good performance, and where they see they can have longer careers," she adds.

Freeman says a key finding in the study is that despite their long tenures in the industry, about three-quarters of the respondents had only been at their firms less than three years. She says these professionals are likely just hitting their stride in terms of productivity and knowledge about their firm's products, so losing them now would be highly disruptive to managers.

The study says managers have to respond to the turnover risk by rekindling loyalty among employees. "Managers need to focus their priorities on their people," Freeman says. "We have been so centered on the market conditions, on creating new products and creating new channels."

The changes could include enhancing communication between sales professionals and senior decision-makers, as well as upping the ante on quality-of-life matters, with gestures as small as buying employees lunch and surveying them for ideas to bigger moves such as offering flexible work options and expanded family leave benefits.

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