



Should I Stay Or Should I Go Now?

HOW A TROUBLING CONFLUENCE OF EVENTS IS EFFECTING SALES AND MARKETING EXECUTIVES IN 2012

30 years ago (can it really be that long ago?) a now iconic song debuted by the Clash.

The lyrics of the bridge said:

Should I stay or should I go now?

Should I stay or should I go now?

If I go there will be trouble.

An' if I stay it will be double

So come on and let me know!

Should I stay or should I go?

At Kathy Freeman Company (KFC) we believe the title of this Clash song represents a metaphor of the sentiment that top senior sales and marketing executives expressed in our third annual survey conducted in December of 2011.

Even the English punk rock band's name is an appropriate descriptor for challenges the industry now faces, since Wall Street has recently been the recipient of "clash" warfare with those that call themselves the 99%, i.e., those that are convinced that the firms in the investment industry are comprised of criminals and opportunists that look out only for their own well-being.

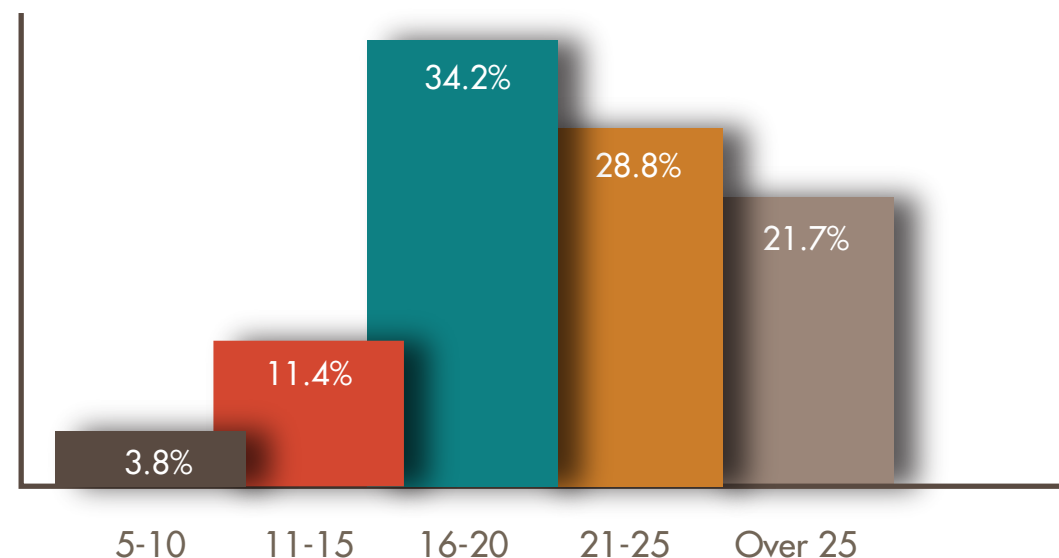


Echoing the sentiment of many senior leaders, Jamie Dimon, CEO, JP Morgan Chase, recently commented on this perspective saying, “Acting like everyone who’s been successful is bad, and because you’re rich you’re bad, I don’t understand it. Sometimes there’s a bad apple, yet we denigrate the whole.”

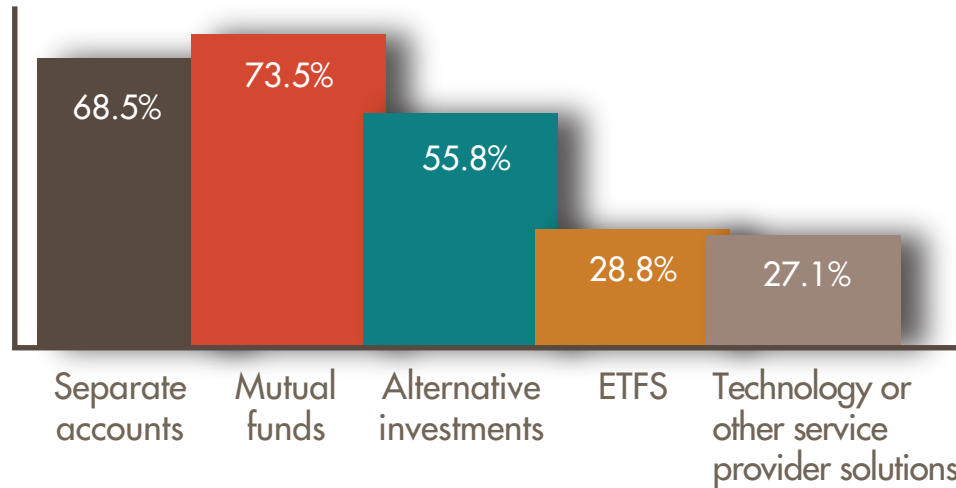
Respondents to KFC’s most recent survey, which is designed to determine the appetite for transition within the senior sales and marketing ranks (exclusively within the investment industry) resonated with uncertainty, both from a career standpoint and in their passion for this industry. The data collected this year shows that senior executives want to make a substantial impact to a firm’s success, but they are uncertain as to whether that contribution will be made at their existing firm or whether they will need to leave for another.

The survey was taken at the end of 2011 over a 45 day period. The targeted pool of participants for the research were identified as currently employed, having had a concentrated career in either sales or marketing, and having no less than 10 years of experience within the investment industry.

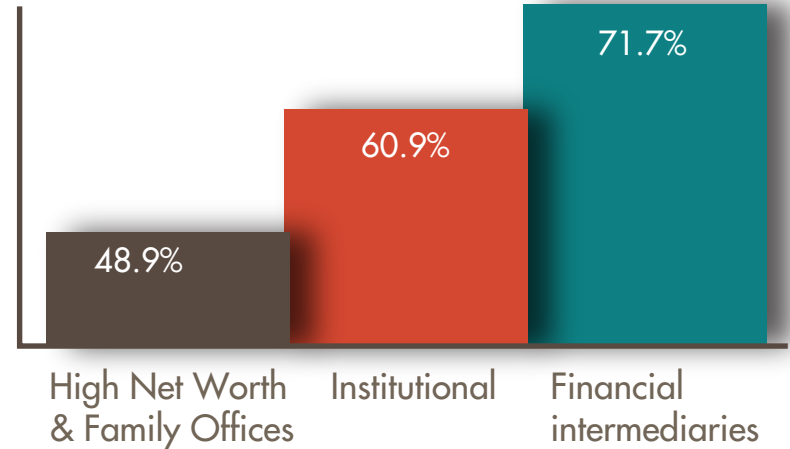
Years of investment industry experience



Products represented (multiple responses allowed)



Categorize your target audience(s)



Our findings suggest that CEO's are challenged to keep their employees motivated since the market meltdown. In our 2010 research, thinking that the U.S. was pulling out of the Great Recession, there was optimism in the air heading into 2011.

Heading into 2012, that optimism has diminished. The U.S.'s painfully slow economic recovery, combined with the European fiscal crisis, makes it imperative that C level leadership take measures to rebuild morale. KFC's research shows that even this most optimistic subset of employees, the sales and marketing executives, are showing fatigue from the ongoing crisis events that they've experienced since 2008.

We have distilled the data collected from this year's annual study into three primary themes:

- Volatility Index is High Among the Investment Industry's Top Performers (p. 4)
- Talent Drain Risk in the Industry is at Historic Levels (p. 10)
- Attention Visionary Leaders: Articulate Your Vision (p. 17)

VOLATILITY INDEX IS HIGH AMONG THE INVESTMENT INDUSTRY'S TOP PERFORMERS:

Volatility: A statistical measure of the dispersion of returns for a given security or market index. Commonly, the higher the volatility, the riskier the security. (source: investopedia)

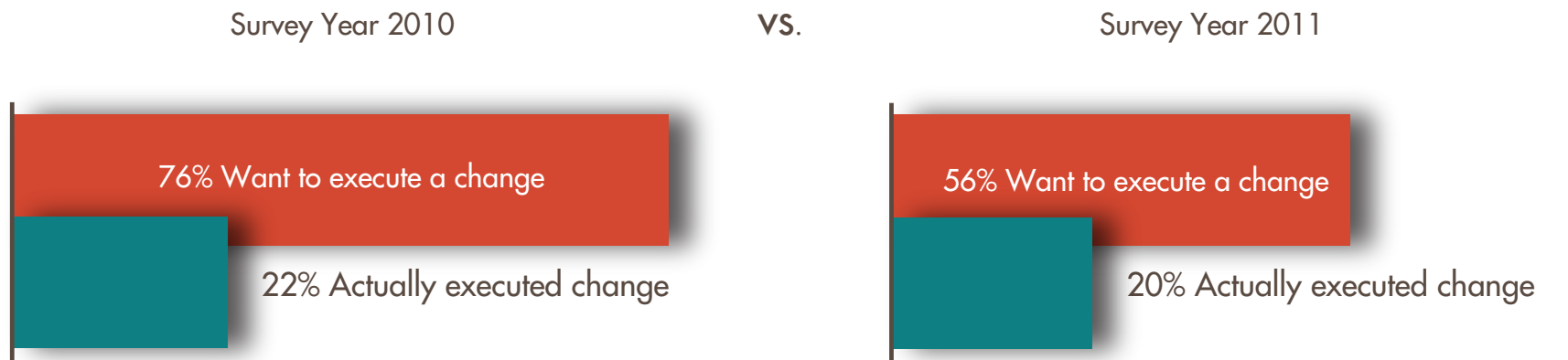
Taking liberty with this investment term and applying the concept to this year's research, the data is indicating the potential for career volatility among high-performing sales and marketing execs within the investment arena.

Looking at the findings we have accumulated over the past three years, there is an emerging, and potentially troubling, trend that we see surfacing. We have identified an increasing gap between those who desire to make a career change with those who have actually executed a change. We believe that the delta between these two measures is an indicator for impending change once the economy improves.

While the market and economic factors over the past several years are no doubt influencing these results, the trend underscores the mounting frustrations of these executives with their current positions or firms.

Reflecting on the numbers from our prior research:

The projection for transition going in to 2011 (based on data collected in our 2010 study) was 56.8%. Excluding those individuals that were part of workforce reduction last year, less than 20% of respondents elected to move to a new firm. For 2010, the projection for transition coming out of the tumultuous year of 2009 was at an all-time high of 76%. However, the data captured from last year's survey indicated that only 20% of respondents acted out their desire to change.



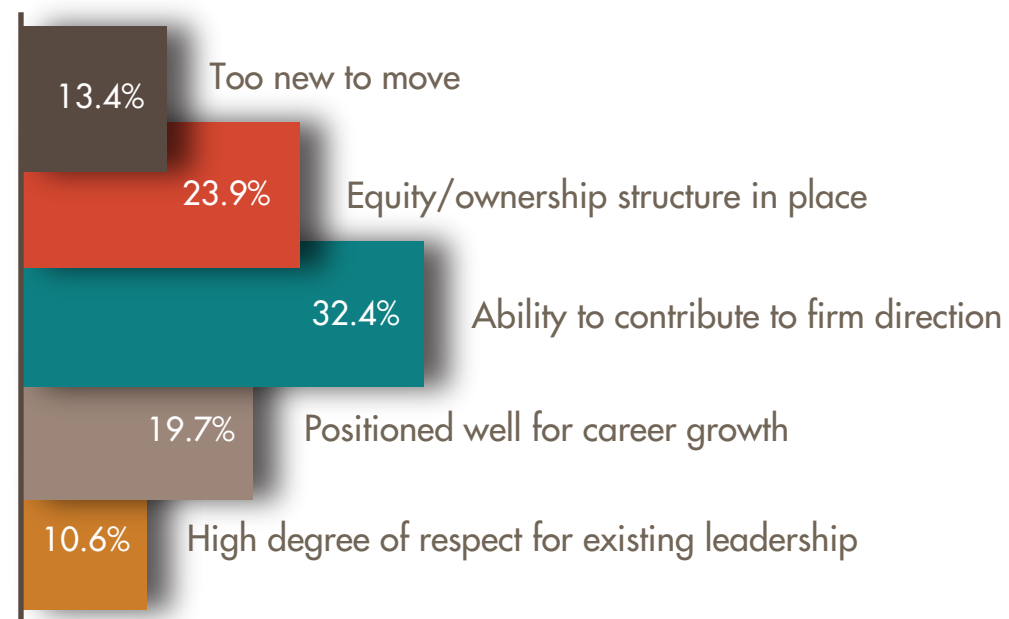
Further research also suggests that the underlying issue that weighs in most heavily on this potential job change volatility is the gap between the executives' intrinsic motivation to be able to drive results in whatever they do, and their inability to move the bar in a meaningful way within their firms.

Does that mean that they are unhappy because they've not achieved their sales targets or asset acquisition goals? No. These executives are focused at a much higher level where they are seeking to contribute to their firm's growth through the development of new products, services or marketing strategy. They want to make a difference and to have an impact in their firms.

One of the meaningful components that we seek to measure each year is the primary motivation behind those who have either stayed at their firms or those who have actually made a transition.

This data indicates that the most significant reason executives stayed with their firms last year was that they felt they had an ability to make an impact on firm direction.

What was your motivation to stay at your current firm in 2011?



Those that did not change employers in 2011 weighed in with some additionally telling commentary. Notice that these individuals weren't espousing their satisfaction with their current firms as their reason for staying put as much as they expressed market-related factors for keeping them in place:

“Not many opportunities were available in 2011 that would be a good fit.”

“The appropriate opportunity did not present itself.”

“Willing to talk but the opportunity needs to be compelling”

So where's the disconnect? Why the appetite for transition?

Clearly there are numerous obstacles to growth for firms today. However, if these companies aren't able to continue to evolve their businesses, either because of the headwinds in the market, a lack of vision, or confidence from senior leadership, then there will not be a platform from which high-performing sales and marketing executives can make a meaningful impact.

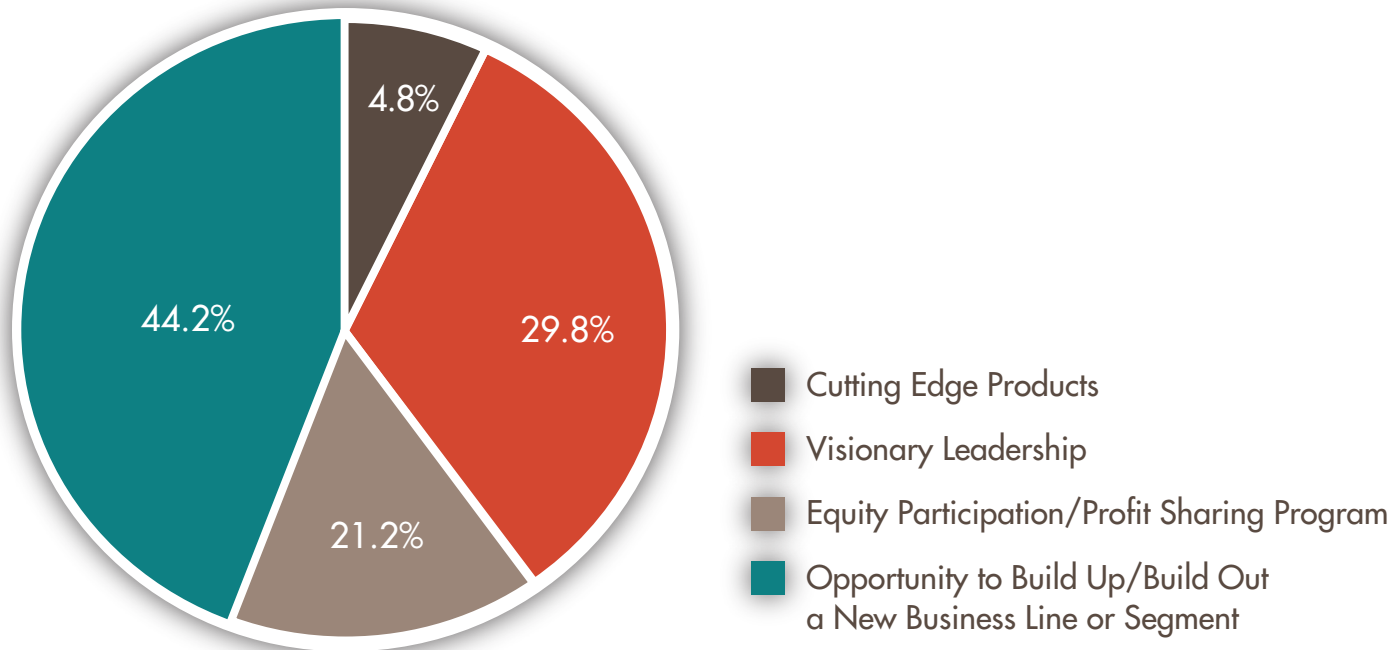
We believe firms have an opportunity **now** to create mechanisms to compel their brightest talent to stay. This can be done by creating avenues for their executives to grow and to stretch their capabilities such that they aren't looking to leave to a more competitive firm.

WHAT DO THEY WANT?

Building on our desire to understand the motivators of this group, each year we ask them to identify their most important consideration if they are going to change firms.

In 2012, the greatest response came from those who would be compelled to leave in order to build out a new business line or segment.

What will be your priority in identifying the right opportunity?



Through this data and associated comments, these executives **emphasized the importance of making an impact**. These leaders and industry innovators are compelled by having the opportunity to make a difference.

So, should they stay?

Certainly existing employers have the opportunity to retain this talent, if they can craft a plan for growth that allows for buy-in by these individuals, and if they can intellectually stimulate their capabilities. This may include creating a business plan for a potential new business, doing analysis on the plausible demand for a new product, or exploring a new buying channel/audience. Today's environment is ripe for creative solutions that are designed to meet the new needs of clients predicated on new market conditions. In lieu of being able to tangibly move the sales needle forward, these talented executives will, at the very least, look to contribute by being a respected part of the firm's thought leadership team.

Or, should they go?

If they go, and the data indicates many are considering this avenue, then they are most likely bored. Passion fuels this highly capable niche of talent. When the emotional fuel tank is empty, when they lack the ability to garner respect through their ideas and execution of new strategy, then these executives lose their desire. If they lose their desire, if their work isn't fun and fulfilling for them any longer, then they will indeed leave. They will either depart to a more compelling firm, one that is committed to growth, or they may leave our industry entirely.

CASE STUDY

Role: Chief Marketing Officer

Age: 45 year old

Career Experience: 20 years

Status: Retiring 2012

Reasons for leaving industry:

- He lost the passion for his work
- He wasn't able to build
- He wasn't empowered to create

When asked to further explain his rationale:

"There's nothing going on right now to keep my emotional tank filled."

The Future: Pursuing challenges through family and nonprofit work

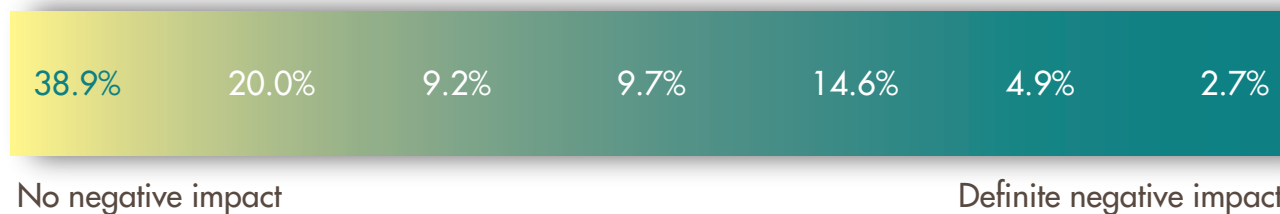
TALENT DRAIN RISK IN THE INDUSTRY IS AT HISTORIC LEVELS

The United States economy is now entering its fourth year of a cycle which has dealt an extraordinarily tough hand to the investment industry. The downturn, which began with the mighty Bear Stearns' collapse in March 2008, was followed by Lehman Brothers' failure later that year. Those unexpected and catastrophic business failures were further exacerbated by a series of subsequent events that included Wells Fargo's takeover of Wachovia and Bank of America's bailout of Merrill Lynch. The ripples continued in 2011 with the failure of Lydian Private Bank and the collapse of MF Global.

As we begin 2012, there remains a measure of uncertainty in the economic outlook. One thing is for certain: the investment industry has been, and continues to be, a lightning rod for controversy - perhaps even vilification.

In our attempt to determine if this confluence of events was taking its toll on our target audience, we asked specifically:

What negative impact, if any, have the industry's "crisis events" (Eurozone, MF Global, Occupy Wall Street, etc.) had on your motivation/passion for your career in Financial Services?



Approximately 40% of respondents measured some level of negative impact on their motivation/passion for their career in financial services.

Consider for a moment the source of these responses. They are the individuals that are arguably the most positive, optimistic and motivated segment of the investment industry. In addition, they are highly accomplished in their careers, most of them earning a spot among the top wage earners in our space. If these people are acknowledging an understandable weariness, we believe that an impending talent drain is worth careful consideration.

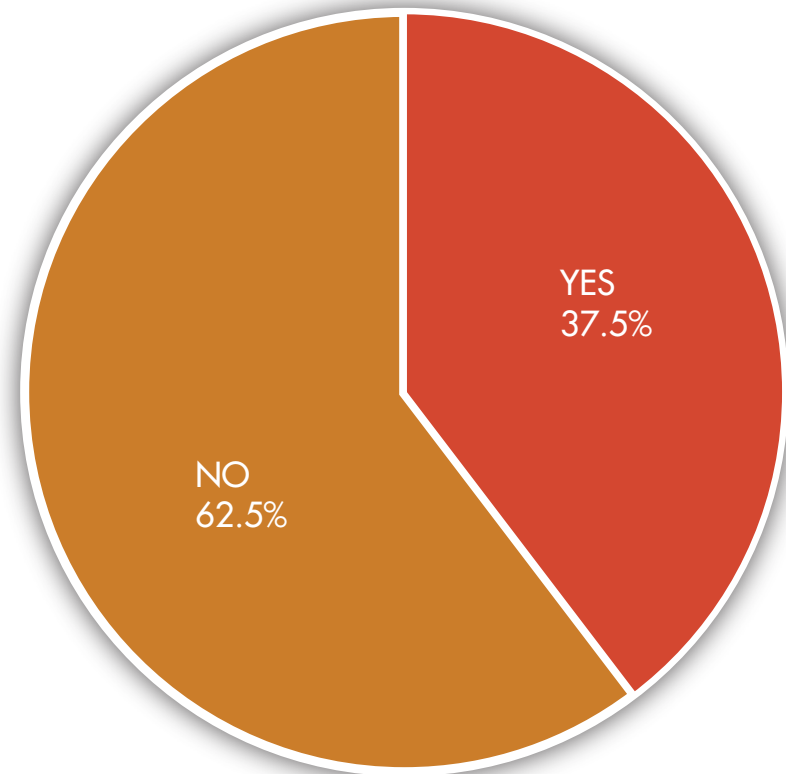
Has the investment industry, which for years has been a shining and thriving beacon of success, turned an irreparable corner?

There are two issues worth noting.

First, we measured the potential for risk of flight from the industry. We asked whether this fatigue has translated into reality and whether there was serious consideration for exploring a career outside of financial services.

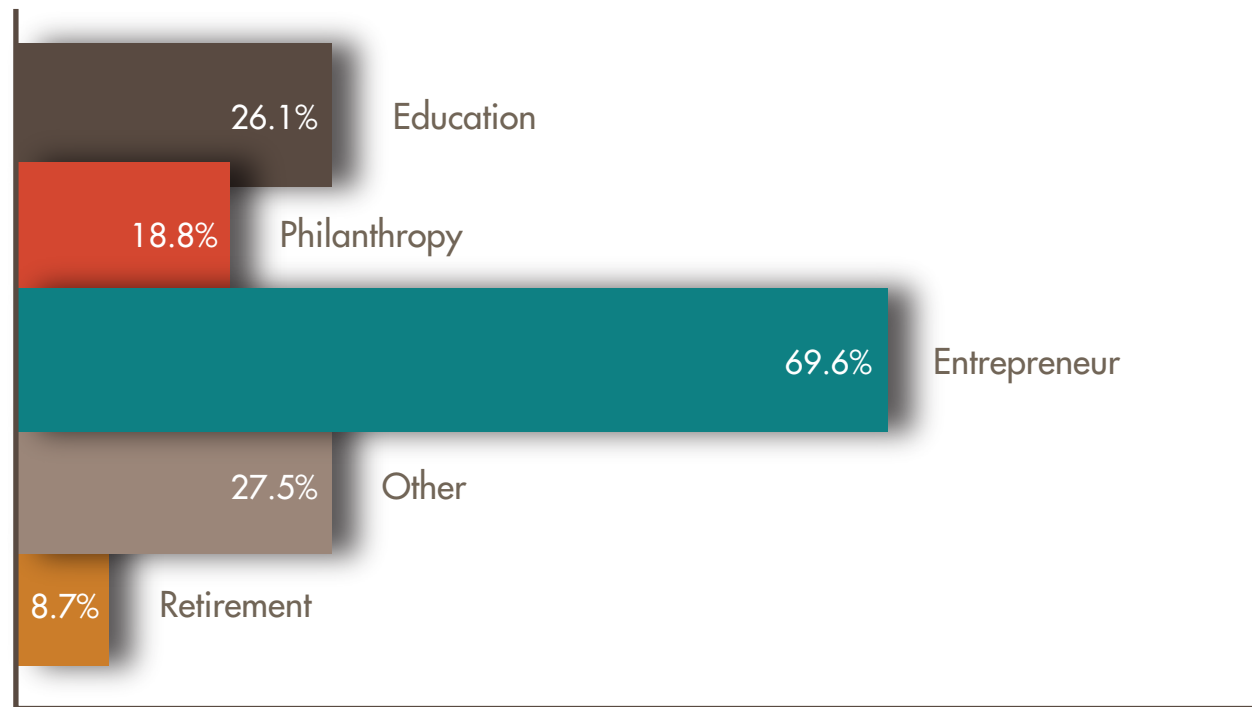
Indeed, 37.5 % said that they have thought about leaving the industry.

Have you considered opportunities or a career path which takes you outside of the Financial Services Industry?



Most of the respondents had, or would, consider looking at other entrepreneurial opportunities. Perhaps if our industry is not growing, maybe it's time for these executives to contribute their skill sets to another industry or engage in our industry in a different manner. The most popular option these executives said they were exploring was that of entrepreneur, since a role as an entrepreneur gives them both control of their destiny and the ability to positively direct their future in an area where they may be feeling stifled in their current position or firm.

What endeavors outside of corporate employment in financial services have you considered?



The second issue, which has been referenced directly from universities that develop the brightest minds of our future, is that there are fewer talented individuals seeking to build their professions and careers in financial services.

Our research identified two specific university studies that support this concept:

“Of the 2010 graduates who were working a year out, 14 percent were in business/finance jobs, down from a peak of 31 percent in 2000”.

Source: Beverly Waters, Office of Institutional Research, Yale University. June 2011

“Upon graduation, those Harvard grads entering jobs were more likely to enter finance than any other career: in fact, 17 percent of new grads did so. But this share is still significantly lower than it was just a few years ago. In 2008, 28 percent of employed new grads worked in financial service”.

Source: Harvard Office of Career Services.

New potential entrants to the financial services community will likely think long and hard about joining an industry that is the subject of seemingly endless negative press which intimates that we are “the 1%”, and that we need to be over-regulated just to make sure that we don’t take advantage of the general public.

If we recognize that as an industry we are at risk of losing senior talent whose motivation is diminishing as they continue to be on the front lines (absorbing the brunt of reaction that follows each new crisis event), and that our industry is losing its panache (therefore not attracting the best and brightest college graduates), perhaps we need to wake up and counter this negative trend.

THE TIME IS NOW

We believe the time is right for firms (either individually or collectively) to speak out in a proactive voice to the investor community on what is right about our industry. Why continue to let our reputation be tarnished by media spin and occasional bad apples?

A proactive public relations effort in today's market is beneficial on multiple levels:

- Re-educating and reframing the perceptions of the consumer (whether institutional, intermediary or retail) that have been tarnished by scandals.
- Promoting an ethics-based focus of our industry will also serve to rebuild and re-attract the university graduates back into our field.
- Designing external messaging on what a firm stands for today also forces consideration on future direction. These dialogues open up ideas for building new business. Building up and building out is at the core of what keeps sales and marketing executives tied in to your firm.

KFC checked in with some of the mainstream industry trade and lobbying organizations, and it didn't appear that they have been given a mandate by their members to focus on industry public relations.

We did, however, identify a ground swell by individual firms to proactively message the characteristics of ethics and integrity to their client base.

With the assistance of Jennifer Connelly Public Relations (JCPR), one of the investment industry's leading public relations agencies, we were able to query select company executives directly:

IS THERE ROOM TO BUILD UP THE “BRAND” OR “IMAGE” OF THE INVESTMENT INDUSTRY GIVEN THE CRISIS EVENTS WE HAVE GONE THROUGH SINCE 2008?

“Yes, it would be hard [for our image perception] to go any lower. A fiduciary standard is vital in order to improve the image of our industry. At Hightower, our advisors have a legal duty to put their clients’ interests first.”

~Elliot Weissbluth, CEO - Hightower

“Yes. JHS Capital Advisors was founded after the economic crisis of 2008, partly in response to what we saw as the problems on Wall Street. We want to be known as a ‘new kind’ of investment firm. Integrity is part of our everyday existence.”

~Eileen Canady, VP Strategic Development - JHS Capital

“Absolutely. Even though our firm did not contribute or participate in the excessive, or in some cases, destructive and unethical behavior during the crisis, we all suffer from the fallout. Unfortunately, retail investors, sometimes with the help of the media use a ‘broad paintbrush’ when evaluating the industry.”

~Dennis Clark, Managing Director, -Shelton Capital

DO YOU BELIEVE THE PR EFFORTS THAT YOUR FIRM UNDERTAKES SHOULD ALSO SERVE TO PROVIDE MOTIVATION TO YOUR INTERNAL STAFF?

“Yes. Our mission at HighTower is to put our clients first – that’s not just PR, that is our guiding principle, and everyone at our firm believes in that.”

~Elliot Weissbluth CEO - Hightower

“Without a doubt. In addition, we have a clearly stated ‘Corporate Culture and Values’ statement that we use internally to remain focused on those very issues.”

~Dennis Clark, Managing Director - Shelton Capital

“Yes. At JHS, we consistently live by the JHS Code of Ethics – we forged that together, not because we thought we had to have it, but because it reminds us of who we are and where we choose to go.”

~Eileen Canady, VP Strategic Development – JHS Capital

Retaining the talent we have and attracting the future talent that we need are critical components to the growth of the investment industry. It seems practical to assume that proactively promoting our industry brand, simultaneously to what we do individually as firms, is a necessary step towards rebuilding from the toll that the past 3 years have taken.

ATTENTION VISIONARY LEADERS: ARTICULATE YOUR VISION

We found an interesting dichotomy in our research this year when it came to the importance of visionary leadership. What we realized from our respondents was that they did not perceive that their firms demonstrated a high degree of visionary leadership; however, the very same quality of leadership was a key factor in retaining them.

Not only that, when it came to what their priorities were in identifying the right opportunity moving forward, the second most critical component was visionary leadership.

The message that this data sends is that firms can do a better job of having their leaders articulate their vision for the future. In the absence of a specific message, our survey respondents are left to assume that the firm doesn't have a proactive course and/or a direction for growth. If the individuals who are closely tied in to the firm's target audiences and products, as well as to growing their firm's presence in the industry, don't know what the vision is at their own firm, then we can assume no one does.

It's not likely that the issue is that our industry's leading organizations don't have a direction. It seems more logical that their leaders may be so mired in their day to day challenges that they aren't making it a priority to articulate the message to and through the ranks within their firms.

A tangible illustration of this issue surfaced from an executive who was commenting on some recent changes implemented at his firm and how enthusiastic he and his team were about the new game plan for growing their AUM. In our conversation he related that his business was finally going to be able to enjoy additional resources allocated towards penetrating specific new markets and bringing in new business. Unfortunately, when he asked senior management secondary questions regarding the executable pieces behind the strategy, all he heard was a host of vagaries.

Visionary leadership can't be comprised of smoke and mirrors. The talented men and women that carry the flag for these firms' sales and marketing efforts aren't going to be fooled.

They will be motivated by a strategic vision which is complemented with an executable game plan.

This message about the importance of visionary leadership has been personified previously in our research, and yet the data continues to reinforce the message that must be worth repeating - Attention Visionary Leaders: Articulate your Vision!

So, SHOULD I STAY?

The firms that have survived the difficult markets and challenging economics over the past several years should take the time to invest in a retention strategy for their top contributors in sales and marketing. Allow them to take on challenges that they can sink their teeth into. This includes growth opportunities into new product lines or new markets that will re-energize their passion and keep them aligned with your firm for years to come.

OR, SHOULD I GO?

Firms that are committed to growth and have a vision that they can clearly articulate are the firms that will be in the driver's seat when attracting the talent that is currently engaged in our industry at a competitor's firm. Entrepreneurial opportunities that allow these tenured executives to create their own market strategies and execute against them, will also be attractive destinations for this disenfranchised talent. Also, as we have observed from our previously noted case study, retirement of these capable people from our industry is yet another very real option.

CONCLUSION

Should I stay or should I go? At the Kathy Freeman Company, we know that life certainly isn't unbearable for these individuals or we would have seen a higher rate of change over the last two years. They appreciate the headwinds that are ever-present obstacles for growth at their firms. Nonetheless, the core of this talent pool is motivated to make a difference and to be recognized as an impact player in the firm's direction.

Our daily conversations with senior leaders continue to support our research. Simply put, it's not the compensation; it is the ability to contribute, to be heard, and to be respected through their work. To take away those components, which sum up the ability to impact, is to deny these people the opportunity to passionately enjoy their careers. If they aren't in an environment that allows them to perform, then what are they able to get passionate about?

Firms today must be able to demonstrate forward-thinking momentum. If they're not providing some forum for innovation, then they're likely to experience a tremendous drain of their highly capable sales and marketing leadership. KFC believes that, given the choice, leaders would certainly prefer to address growth strategies rather than their succession plan. The risk is significant because when the competition crafts a compelling game plan for growth and reaches out to find the industry's best and brightest, making the 'should I go?' decision for those candidates won't be at all hard to do.

ABOUT KATHY FREEMAN COMPANY

The Kathy Freeman Company, celebrating its 20th year in retained search for senior sales and marketing executives within the investment industry, possesses a unique perspective on this audience. Our ongoing research indicates that these talented candidates are open to either being compelled to transition or compelled to stay in their current roles.

The operative word here is compelled.

Marketing our clients' vision among the competitive landscape in order to secure interest from best in class talent, and then assessing that talent to ascertain their fit within a client's culture, are the signature strengths of the Kathy Freeman Company.

To discuss how we might support your firm's future growth, either through pinpointed strategic internal assessments of existing leadership or through our finely tuned retained search services, please email kfreeman@kathyfreemanco.com or call 800.883.3232. In addition, if you would like to be included in next year's study or wish to speak further about this year's findings, let us know and we'd be delighted to respond. For more information and additional firm insights please visit us at www.kathyfreemanco.com.