



Kathy Freeman Company 
Executive Search for Financial Services

Fifth Annual Executive Survey

Human Capital Strategies:
What Will Win In 2014?

Executive Level Insight From
Leaders In The Investment Industry

February 2014

Fifth Annual Executive Survey

Insight From Leaders In The Investment Management Industry

Synopsis

What's it going to take to attract and retain the best sales and marketing talent in 2014? Answer: accelerated career growth, equity ownership, and attention to employee dissatisfaction. Equally as important, if an offer to a new executive isn't uniquely compelling, there's an eight in ten chance that the offer won't motivate a candidate to move.

Executive Summary: Success Is Waiting With The Right Approach

The *Fifth Annual Executive Survey* from the Kathy Freeman Company offers unique insight about executive sentiment in the investment industry for 2014. Based on proprietary research, the survey of senior sales and marketing executives revealed both good news and bad news for firms looking to expand and retain talent. The survey also reconfirmed some of the long-term employment trends in the marketplace. There were a few surprises, too.

The good news is that many executives are open to a new opportunity. Fifty-seven percent—the second highest percentage in the survey's history—said they would consider a position outside their firm in 2014. That was also the bad news. Many senior executives are ready to listen attentively when suitors call. In fact, some 43% in 2013 said they were open to a new opportunity but didn't move because the right position never surfaced.

This year's survey also reinforced two themes we've seen over the past few years. First, executives remain very particular about their next move. It has to be an exceptionally good opportunity for them to leave their current company. Second, there is room for talented senior managers to jump to the C-Suite at other firms. As the economy continues to improve, smaller firms are seeking new leadership for the C-Suite. The search for rising stars is creating more opportunity in the executive suite than we've seen in the past five years.

What were the biggest surprises in this year's survey? The industry is in denial about the much-publicized and growing shortage of talent. In fact, a majority of the respondents don't understand why more people are not interested in entering the field.

Top Survey Findings

In this year's white paper, we analyze the four key trends that emerged from the data and recommend strategies to attract and retain talent.

1

Talent Is In Charge—
And They Know It

2

Recruiting Opportunity
Abounds But Only For
The Savviest Firms

3

Employee Retention
Could Be More
Challenging

4

The Industry Is
In Denial About
The Talent Shortage

Survey Methodology

The Kathy Freeman Company's *Fifth Annual Executive Survey* was conducted over a six-week period at the end of 2013. Hundreds of industry leaders across the nation responded to the poll. The participants were personally selected by the Kathy Freeman Company. Respondents are currently employed with an established career in sales or marketing. Over 63% of those surveyed registered as having more than 20 years of experience in the financial services industry, and the remainder of respondents have no less than 10 years of experience. The participants represent firms in asset management, wealth management, alternative investments, private banking and trust, and service providers to the investment industry.

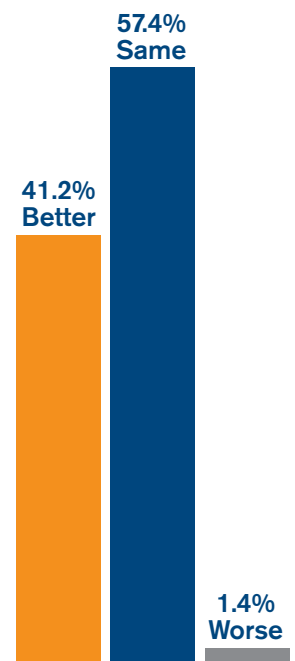
No. 1: Top-Tier Talent Is In Charge— And They Know It

Executives are in the driver's seat more so than any time since the *Annual Executive Survey* was launched five years ago. In fact, most executives are staying put.

Participants this year indicated that they like their roles, and over 35% said they felt like they were able to make a positive contribution at their current firm. They also expressed confidence they will have more employment options as the market continues to improve. Forty-one percent think the job market will be significantly better this year.

Strategy Recommendations

- Recognize that it's a seller's market for talent. Firms need to approach executives with white-glove treatment. Misreading the terrain will almost certainly doom any recruiting effort.
- Articulate a very compelling story. Successful executives will only act on something truly special. Many are emboldened by the rising market and the corresponding increase in their compensation. An executive whose firm is growing the top and bottom line needs to hear a captivating storyline to consider a change. Specific details will carry the day.
- Don't underestimate the importance of corporate culture. Survey respondents said job satisfaction or dissatisfaction was correlated to the firm's culture. Firms need to analyze whether their culture is a net benefit or deficit. It's also critical to align the firm's organizational structure to create an environment where mutual respect and collaboration are the common currency.



Do you perceive the job market in 2014 to be better or worse than last year?

“Culture and leadership in an organization are critical.”

“Culture and professional collaboration are a priority.”

“Change in culture and management prompted [my] move.”

No. 2: Recruiting Opportunity Abounds But Only For The Savviest Firms

For companies recruiting talent, here's the good news: the survey found that executives are more open to considering an opportunity outside of their firm.

Employers this year will need to focus on two key areas to recruit successfully: career growth and equity. The survey found that more than 50% of participants place a high priority on career growth at their firm. Career growth was identified as a key reason executives stay at their current firm or jump to a new one.

In terms of equity, 60% of respondents said ownership in their firm was increasingly important and contributed to career satisfaction more so than it had in the past five years. Sixty-two percent indicated they would consider taking less cash compensation to gain an equity stake at a new firm.

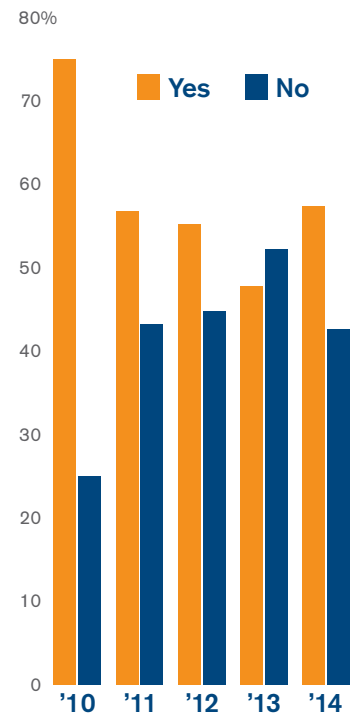
Strategy Recommendations

- Make a strong case that job seekers will have an opportunity to grow. Executives are looking for opportunities that will offer new dimension to their careers. It doesn't have to be a step up, but it must be a step beyond. High on the list of must-haves: the opportunity to build a business.
- Target the executives at great firms whose career progression is blocked. This year, even if an executive is working for a premier firm and making terrific money, that individual could be lured away by an attractive career opportunity with commensurate income. Post-financial crisis, there is pent-up demand within the industry to explore new challenges.
- Compensation must address the individual's priorities. Whether it's a profit-sharing program or an equity stake, truly talented people will opt for wealth creation over cash compensation. The offer of ownership will resonate with executives.

“[I would consider a new opportunity if I have the] ability to make a significant impact to the growth and development of the firm's products and services.”

“The next change needs to be a career move that will be long term which would include the ability to have equal impact with the firm as well as its clients.”

“[I'm] always open to market opportunities, but it would take a lot to interest me.”



Are you likely to consider an opportunity outside of your current firm?

No. 3: Employee Retention Could Be More Challenging

For companies seeking to retain talent, the survey found some areas of concern.

Many executives are actively looking for new opportunities. In 2014, 57% said they would consider an opportunity outside of their firm. That's the second-highest percentage since we began the survey.

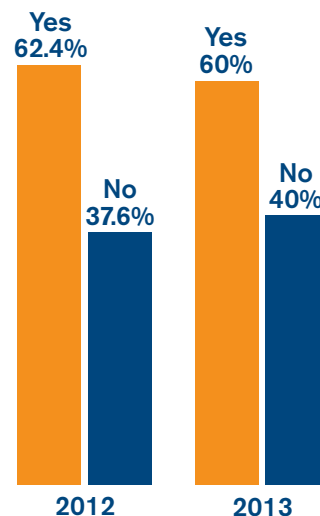
The survey also concluded that dissatisfaction is the top reason people are leaving a firm. Although only 18.5% of the survey population changed firms in 2013, dissatisfaction was the primary motivation for the departure. The dissatisfaction came in three flavors: dissatisfaction in the executive's role, dissatisfaction with compensation, and dissatisfaction with the firm's culture.

Strategy Recommendations

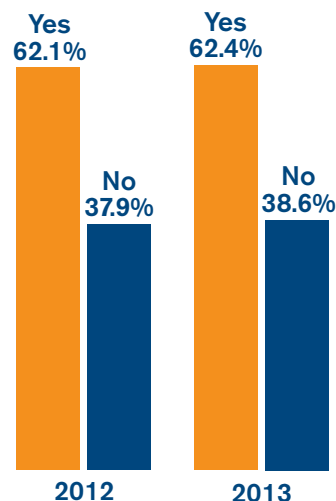
- Articulate or strengthen your employee retention strategy to include a roadmap to show them their career path at your firm. Incorporating components such as succession opportunities, leadership development, or setting product direction are different ways to broaden their daily responsibilities. Many sacrificed for the greater good of their company during the downturn, but today we find that these executives are now reprioritizing around their own careers.
- Proactively discuss the availability of equity or initiating profit-sharing plans as a component of your firm's retention plan. Since 62% are willing to consider less cash at a new firm in exchange for equity, employers should make a point of having a conversation with existing employees about this trade-off.

“[The ideal] opportunity [is] to be a part of the decision process that shapes the firm's growth and future...I would love to lead a team of younger colleagues and ready the firm for the next generation...very fulfilling!”

“I value being part of a small boutique money manager with an entrepreneurial culture...and having a solid opportunity for continued career growth!”



Considering compensation, has equity become a more important priority to your total compensation package today than it was five years ago?



Would you be willing to consider less cash compensation today for equity ownership at another firm?

No. 4: The Industry Is In Denial About The Growing Talent Shortage

The survey revealed that the majority of respondents don't believe there's a talent shortage in the investment industry. Many are very upbeat about the industry's future, even after the backlash against Wall Street following the financial crisis. The facts say something different.

"In the financial industry, almost half of CEOs report that they are unable to find talent with the right skills and view the issue as a serious threat to their company's growth. Almost 25% of those CEOs have had to cancel or delay a key strategic initiative over the past year because they didn't have the right talent available at the time to execute." —Forbes, November 5, 2013

The best-and-brightest are embracing the technology business, not investment management. When many financial executives started their careers, the gravitational pull of Wall Street was all encompassing. That's no longer the case. Younger people often equate investment management with the greed and debauchery depicted in the movie, *The Wolf of Wall Street*. The reality is that there aren't enough good people entering the investment business. At the same time, Baby Boomer investment executives are set to retire in significant numbers over the next decade. The combination of these two factors will limit the opportunity for firms to grow in the future.

Strategy Recommendations

- Communicate the positive message about the investment industry. Investment firms create prosperity for the country and fund the retirement dreams of millions. These firms perpetuate the American Dream every day.
- Demonstrate that your firm is a responsible corporate citizen. Highlight your giving campaigns or volunteer work in the community. If you don't have a formal program, build one that is actively supported by senior management. C-Suite executives need to model the behavior they want associates to emulate.
- Create internships for college students. Young people need to experience the investment industry, so they can choose it as a career after graduation day. Make sure the programs give these bright students an opportunity to see how their contributions positively impact clients, the community, and society.

"It is not difficult to attract young talent because the job market is so tight."

"The problem is that there are not enough openings in high-paying jobs for the younger employees."



Do you perceive that it is difficult for you/your firm to attract younger talent into this industry?

About The Kathy Freeman Company:

Highly Defined Scope Ensures An Unparalleled Depth Of Perspective

Since 1992, the Kathy Freeman Company has partnered with clients to identify, attract, and assess the best talent in the investment industry. The Kathy Freeman Company has completed hundreds of assignments for senior sales, marketing, and client-facing executives—whether individual contributors or C-Suite leadership. The firm's complete focus on the investment industry provides clients with unmatched knowledge of the market for talent and functional expertise.

Our success is a result of a disciplined methodology that delivers the perfect fit. This approach is based on an interviewing and assessment process to identify the best and the brightest. We have consistently proven our effectiveness in pinpointing the characteristics of outstanding performers for more than two decades.

Whether our clients are brand names or boutiques looking to establish a greater presence, they turn to the Kathy Freeman Company to find the executives who will become their motivational leaders, business visionaries, and top producers.

Partner with us and see how we can drive the growth of your firm.
Call us at 805.542.0800, or visit www.kathyfreemanco.com.

