

2021

TALENT TRENDS REPORT

Asset Management
Distribution Leadership



KATHY FREEMAN COMPANY
EXECUTIVE SEARCH FOR FINANCIAL SERVICES

DECEMBER 2021

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THE NEW DYNAMICS OF LEADING IN THE WFH ERA

AIM & SCOPE

For more than a decade, Kathy Freeman Company has authored the Talent Trends Report for the investment industry. Our objective is to provide unique insight about corporate talent acquisition, talent retention, and human capital strategies. Our reports are designed to offer valuable context for CEOs, leaders, and human resources executives. These reports are also leveraged by individuals who may be contemplating their own career decisions. During this time of volatility and uncertainty, our larger goal is to provide a deeper understanding of the changing dynamics impacting the landscape for talent.

This report is possible based on the gracious contribution of time by our industry's leadership. It is a privilege to be able to frame out these talent trends with a voice specifically from asset management distribution.

OVERVIEW

COVID-19 has upended virtually every area of employee engagement: compensation, recruitment, retention, Next Gen development, succession planning, and corporate culture. At the same time, the asset management industry's multi-faceted efforts to improve diversity, equity, and inclusion (DEI) are progressing, but much still needs to be done. Our 2021 Talent Trends Report analyzes the results of our proprietary survey of top asset management distribution leaders and offers insights and recommendations to capitalize on the opportunities ahead.

PROFILE OF OUR DISTRIBUTION PARTICIPANTS

20+
YEARS

92% HAVE WORKED IN THE INVESTMENT INDUSTRY FOR MORE THAN 20 YEARS.

10+
YEARS

81% HAVE HELD A LEADERSHIP ROLE IN ASSET MANAGEMENT DISTRIBUTION FOR 10+ YEARS

\$100+
BILLION

73% REPRESENT ASSET MANAGEMENT FIRMS WITH OVER \$100 BILLION IN ASSETS.

REPRESENTATIVE TITLES OF PARTICIPANTS

HEAD OF DISTRIBUTION, AMERICAS

HEAD OF US WEALTH

EXECUTIVE VICE PRESIDENT

PRESIDENT, DISTRIBUTION

HEAD OF US RETAIL SALES

HEAD OF GLOBAL STRATEGIC RELATIONSHIPS

HEAD OF FINANCIAL INSTITUTIONS

DIVISIONAL SALES MANAGER

MANAGING DIRECTOR, NATIONAL SALES MANAGER

HEAD OF INSTITUTIONAL & INTERMEDIARY DISTRIBUTION

THE FALLOUT FROM THE GREAT RESIGNATION

Quite unexpectedly, the pandemic has redefined workplace dynamics. The lockdown changed priorities, and employees are now choosing quality of life over an all-encompassing career. With a taste of work from home (WFH), many are not eager to return to the office and the old ways of doing business. According to a [LinkedIn survey](#), flexibility is now the fastest-rising job priority in the United States.

For industry leaders, this shift has created a new set of challenges. Many employees are less interested in skills development, collaboration, and the long-term business objectives of their employers. Motivated by rising industry compensation, talent is more open

to changing jobs than we've seen in years. Some workers, such as Baby Boomers, are leaving the workforce permanently. Others are taking advantage of the labor shortage to pop in and out of the work world. These labor market gyrations have been labeled the [Great Resignation](#), a new megatrend that will require fresh thinking about employee engagement.

Our survey confirmed this major attitudinal shift. Along with countless conversations with asset management distribution leaders with whom we are conducting executive searches, we found the following:

 <p>It's an employee's market for talent, and they know it.</p>	 <p>Talent is in flux and in short supply.</p>
 <p>Boomers are retiring earlier, which puts even greater urgency on succession planning.</p>	 <p>WFH is here to stay, and it is impacting Next Gen leadership development.</p>
 <p>Leadership is concerned about WFH's impact on corporate culture.</p>	 <p>Compensation is rising, a complete reversal from last year.</p>
 <p>Leaders are working hard to bridge a new generation gap with their employees.</p>	 <p>DEI remains a top management priority, but progress is slow.</p>

The *Wall Street Journal* captured the magnitude of these changes in an October 2021 story, "[America's Workers Are Leaving Jobs in Record Numbers](#)" U.S. workers left their jobs nearly 20 million times between April and August in 2021, 60% higher than the same period last year. Danny Nelms, President of the Work Institute, summed up the trend this way: "This [pandemic] has been going on for so long, it's affecting people mentally, physically. All those things are continuing to make people reflective of their life and career and their jobs."

The big picture is that the talent pool at both ends of the age spectrum is thinning. Today, their agenda is not necessarily aligned with the objectives of their employers. The good news is that industry leaders recognize the profound change and are responding with new creativity, empathy, and commitment to teambuilding.



WHAT THE PANDEMIC HAS WROUGHT

LEADERS ARE GRAPPLING WITH EMPLOYEE RELUCTANCE TO RETURN TO THE OFFICE.

Like employees in other industries, asset management distribution talent doesn't want to come back to the office. More than 42% of leaders surveyed said there is "meaningful resistance" to returning to the office.

Are we seeing a resistance of employees coming back to the office?

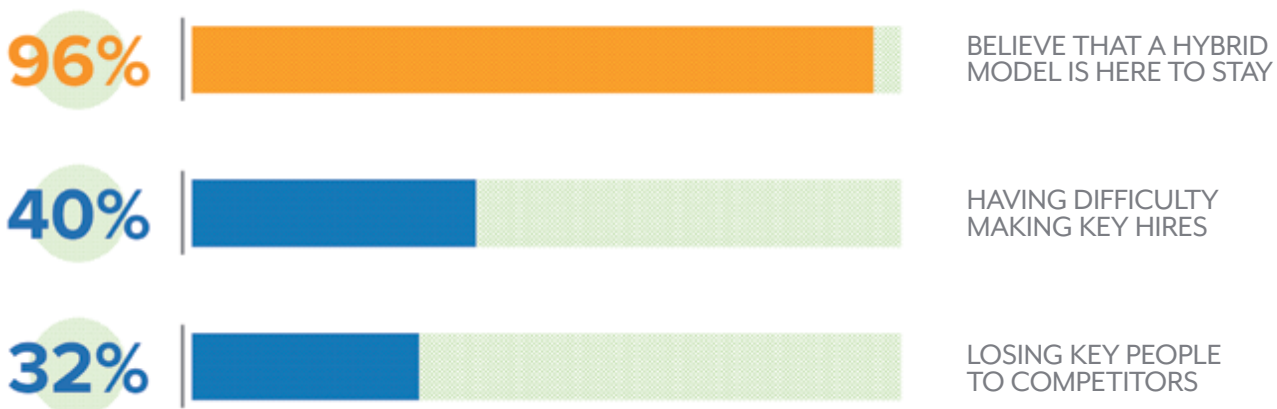
More than 42% of leaders surveyed said there is "meaningful resistance" to returning to the office.



One anecdote we recently heard summed this up well. Thinking it was properly reading the temperature of its employees, an industry leading firm committed to Tuesdays through Thursdays in the office, with WFH on Mondays and Fridays. When employees were surveyed about the change, surprisingly, 90% disapproved. The key takeaway: Firms may need to offer even more flexibility than they originally planned.

LEADERS RECOGNIZE THAT EMPLOYEES ARE MIGRATING TO WFH-FRIENDLY COMPANIES.

Thirty-two percent of respondents indicated they are losing key people to competitors and a full 40% acknowledged that they are having difficulty making key hires. The crippling loss of talent has prompted companies to respond in a variety of ways. Fifteen percent said their firms have made it more financially attractive to stay, while 25% have changed their WFH-policies to enhance employee retention. An unprecedented 96% of leaders surveyed this year believe that a hybrid model is here to stay.



BOOMER RETIREMENTS ARE CREATING ADDITIONAL CHALLENGES.

During the pandemic, retirements soared across all industries. In Asset Management, 20% of our respondents said key personnel at their firms had accelerated their retirement plans during the pandemic, and 10% of respondents said their company has experienced a wave of retirements.



“Key personnel at our firms had accelerated their retirement plans during the pandemic”

Meaningful 2021 retirements include Kathleen Murphy, (President, Personal Investing at Fidelity, 12 years) Bill Stromberg (CEO at T. Rowe Price, 34 years) and Barbara Novick (Co-Founder and Vice Chairman at Blackrock, 33 years). These executives didn’t necessarily age out or lack passion for the industry. They could have simply re-prioritized and chosen life outside of their careers. The silver lining here is that more Next Gen career opportunities are opening up.

SUCCESSION PLANNING HAS BECOME EVEN MORE IMPORTANT.

The recent departure of key leaders and ongoing uncertainty about retirement has made succession planning even more unpredictable. The pandemic indicated that, and our survey confirmed it. Our data showed that 13% of leaders were actually revising their succession plans due to an increase in retirements. Another 38% admitted their own succession plans were not yet fully developed and needed action.



13% OF LEADERS WERE ACTUALLY REVISING THEIR SUCCESSION PLANS



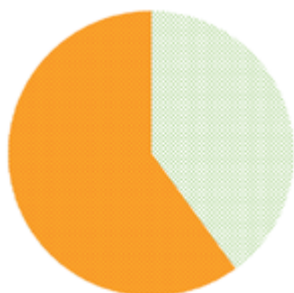
38% ADMITTED THEIR OWN SUCCESSION PLANS WERE NOT YET FULLY DEVELOPED

To provide additional context, [Discussion Partners Collaborative](#), a national leadership consulting firm, conducted an 800-person, industry-agnostic, C-suite survey in 2020. Their findings showed that 38% of leaders were planning to retire or accelerate their retirement because of the pandemic. They also learned that *Fortune 200* firms, which typically plan on succession for 5% of their officers each year, increased their expectations to 12% in 2021. Given the increased likelihood of losing highly experienced people, succession planning needs to be a top priority as we emerge from the pandemic.



LEADERS ARE ADDRESSING A DOUBLE-BARRELED CHALLENGE WITH NEXT GEN AND BOOMERS.

Next Gen talent has not been developing quickly enough to fill leadership positions due to remote work dynamics, according to our survey. Sixty percent of leaders responded that WFH has been hampering the growth of their company's Next Gen talent.



60% OF LEADERS

SAID THAT WFH HAS BEEN HAMPERING THE GROWTH AND DEVELOPMENT OF THEIR COMPANY'S NEXT GEN TALENT.

In addition to accelerated retirements, this has become a double-barreled challenge. In considering the best approach, the popularity of customizing investment options came to mind as a parallel. Just as the industry is addressing Environmental, Social, and Governance (ESG) investing and enabling the creation of customized portfolios, tailored to match a client's ESG goals, now may be the right time to begin customizing an employee's career path in order to get their explicit buy-in. Perhaps younger workers are reluctant to step into leadership without knowing what that development path looks like.

Whether building a deliberate plan for Next Gen or readdressing the retirement glide path of the boomers, the pandemic has necessitated that companies think differently by customizing career paths for employees. PwC recently conducted a [study](#) that delves into this customization concept, which takes a broader look at the employee experience.

THE PANDEMIC HAS SURFACED A SKILLS GAP WITHIN THE LEADERSHIP RANKS.

Thirty-five percent of respondents said a leadership skills gap now exists at their company.



The research identified a leadership gap in the following areas:

DEVELOPMENT OF TALENT*



FOSTERING INNOVATION*



STRATEGIC THINKING*



CRAFTING A LONG-TERM VISION*



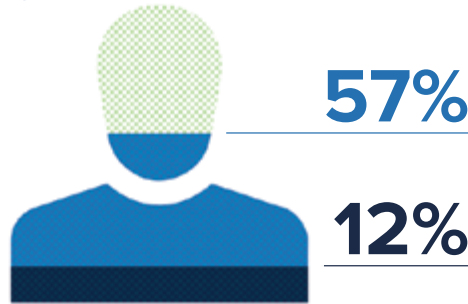
*Those who answered yes to having a leadership skills gap at their company. Participants were allowed to select multiple responses, so percentages do not add up to 100%.

LEADERS LAMENT THE WEAKENING OF CORPORATE CULTURE.

One of the biggest negatives from the pandemic is the erosion of corporate culture. Fifty-seven percent of senior leaders said WFH has diluted their corporate culture, while only 12% said it improved it.

How was corporate culture affected by the pandemic?

57% of senior leaders said WFH diluted corporate culture, while only 12% said it improved it.



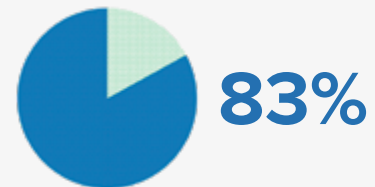
Interestingly, many Next Gen employees don't seem to share the same concerns about corporate culture as leaders do. They like the new normal of limited or no time in the office. The leadership challenge is keeping teams connected to a firm's mission and goals. To redirect the conversation, leaders may want to think about the following questions: Is remote work conducive to empowering employees to find and pursue their purpose? How does the company's mission and vision intersect an employee's purpose? How much have employee values changed during the pandemic? What kind of dialogue needs to happen to rebuild culture and engagement? How are you, as leaders, trying to better understand or connect with, and become relevant to, the Next Generation?

LEADERS WANT TO ENCOURAGE MORE IN-OFFICE COLLABORATION.

Over half of our leaders said collaboration remains challenging due to WFH. They worry that the dearth of interaction is impeding the development of Next Gen talent. Anecdotal evidence suggests that Next Gen talent is suspicious of leadership's motives about return to office. Some believe leaders want people back because that is how it used to be – not for more mentorship and strengthening corporate culture. There is an opportunity to create a middle ground that facilitates in-person interaction focused on enhancing the skillsets of Next Gen employees.

TALENT: SHOULD EXCELLENCE TAKE ON RENEWED IMPORTANCE?

Eighty-three percent of survey leaders indicated it has become either "very important" or "somewhat important" to upgrade under-performing team members with high achievers. This points to a larger issue – re-establishing standards of excellence and performance. During the pandemic, standards may have slipped in an effort to show compassion. It is time to reaffirm a commitment to excellence.



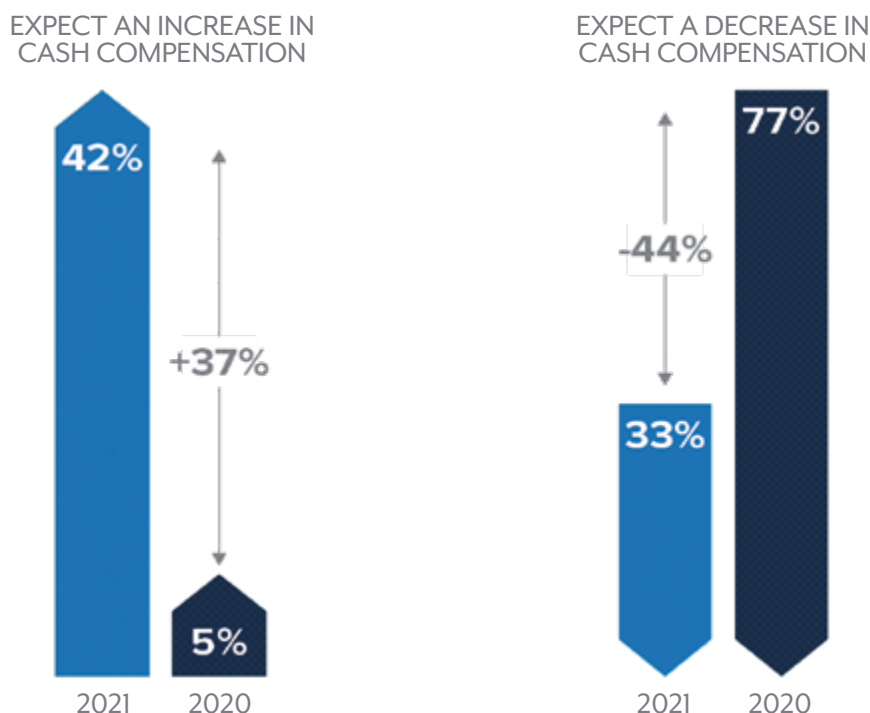
83% OF LEADERS FIND IT IMPORTANT TO UPGRADE UNDER-PERFORMING TEAM MEMBERS.



COMPENSATION HAS DONE A 180°.

Compensation has done a complete reversal from last year's research. In 2020, 82% of distribution leaders indicated the pandemic would be a long-term game-changer for compensation. Of those respondents last year, 77% expected a decrease in annual cash compensation. However, in 2021, only 63% of leaders expect that the pandemic will have a long-term impact on asset management compensation. And of those, just 33% expect cash compensation to fall. The key takeaway: Pay is going up. Forty-two percent expect cash compensation to rise, and 42% expect to see an increase in equity allotments and profit-sharing. Another 31% expect to see richer employee benefits.

What a Difference a Year Makes!



INDUSTRY LEADERS HAVE BEEN INTENTIONAL ABOUT ENHANCING THEIR SKILLS.

One of the most heartening outcomes of the pandemic is that executives are working harder at the art of leadership. We asked an open-ended question for respondents to state how their response to the pandemic has made them a better leader. What stood out was that most have risen to the challenge and became more empathetic, communicative, and adaptable. We've seen it in our data and have heard it in

ongoing conversations with our clients. Executives realize they must overcome the in-person deficit by making greater effort to get to know their employees, understand their family dynamics, their personal challenges, as well as their passions. The lesson learned from WFH is the importance of building the all-important personal bond in work relationships.

“Finding more of a balance between driving business results and being sensitive to personal needs and challenges.”

– SURVEY PARTICIPANT



DIVERSITY, EQUITY & INCLUSION –
ASPIRATIONS STILL EXCEED RESULTS



A SUBSTANTIAL GAP EXISTS BETWEEN DIVERSITY GOALS AND IMPACT MEASURED.

Asset Management has not done well historically in terms of attracting, hiring, and promoting diverse talent. Yet, the industry remains focused on DEI while recognizing that the results aren't yet where they should be. Sixty-nine percent of respondents concurred that their leadership teams did not yet reflect the diversity their firms are seeking. Another 57% think they do not have a sufficient diversity of talent in their current leadership pipelines.



The pandemic and WFH certainly disrupted the industry's efforts to develop existing talent. Simultaneously, the robust outreach to universities to build diversity pipelines and establish internships for underrepresented minorities stalled as well. Perhaps most importantly, one-third of respondents acknowledged a lack of measurable impact from their diversity strategies. The answer, we believe, is to double-down on the development of diversity talent. The creation of measurable programs to train, educate, mentor, and communicate regularly with diverse employees is critical.



INCLUSION MEANS DIFFERENT THINGS TO DIFFERENT PARTS OF YOUR WORKFORCE.

Diverse populations have been impacted in different ways during the pandemic. A [recent survey](#) by *Future Forum* found that Black employees reported less stress when they work remotely. This topic may merit a separate study analyzing whether there are any potential cultural biases within asset management firms that should be addressed. Ninety-seven percent of respondents from Future Forum's survey also said they want to go to WFH entirely or at least partially. While the desire for WFH from People of Color isn't a different voice than we hear today overall, the reasons behind their preferences should be understood if we are to enhance our cultures where all feel included.

Women are another population that have been tested in different ways during the pandemic, especially working moms. Juggling work with the demands of family while operating from home illustrates the need to refocus conversations and policies on work-life integration rather than an outdated 8 – 5 mentality. Adaptability is the very essence of inclusiveness. On the other hand, inflexibility will lead to a loss of diverse talent at individual firms, as well as the industry as a whole.

“Diversity in and of itself excludes certain groups from participating in opportunities and conversations. Inclusion programs engage everyone with an eye on the bigger prize – helping the organization succeed over the long term.”

– SURVEY PARTICIPANT



THANK YOU

Reflecting on over a decade of research, we couldn't be more grateful to have had the privilege of collaborating with industry leaders each year. The unique insight from these executives has been of great value to firms developing their talent acquisition and retention strategies, as well as to those contemplating their own career choices. Moreover, this perspective provides us with an extra dimension to understand the drivers of change. We've been able to apply this lens to our search work across the country in order to deliver exceptional results for our clients.

ABOUT KATHY FREEMAN COMPANY

Founded in 1992, Kathy Freeman Company is a woman-owned, national, retained executive search firm. A strategic advisor to the investment industry, we have become the go-to partner for firms seeking to hire top-tier executive talent to power their growth. Our unparalleled understanding of the investment industry, consultative approach, experience, judgement, and network of relationships has earned us a reputation for excellence.



Dedicated To
The Perfect Fit

Kathy Freeman Company takes inspiration from its clients who, like our team, are focused on process, discipline, and a commitment to excellence. Our search work is based on a customized methodology developed and refined for over 25 years to create the optimal fit for each client. Over 99% of our engagements have resulted in a successful fit! This is a unique and unparalleled track record across the executive search industry. Our methodology produces well-executed searches and a successful return on investment for our clients.

*Looking for critical
talent to help fuel
your firm's growth?*

Let's work together!

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