

DECEMBER 2022

# 2022

# TALENT TRENDS REPORT

A Study of Asset Management  
Distribution Leadership



**KATHY FREEMAN COMPANY**  
EXECUTIVE SEARCH FOR FINANCIAL SERVICES

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## FROM UNIQUE CHALLENGES COME OPPORTUNITIES

Over the last several years, the leaders in asset management have effectively pivoted around a pandemic, the Great Resignation, Quiet Quitting, and both fully remote and hybrid working models. To their credit, this evolution continues today, and benefits are becoming evident amid all this chaos. And yet one stubborn challenge persists: the industry's increasingly acute shortage of talent.

Our 2022 Talent Trends Report confirmed that industry leaders are concerned about their ability to source and develop talent.

## WHERE IS THE TALENT?

In short, firms can't find the necessary talent needed to grow their companies. Whether it's leadership for a new product or business line, or for operations or technology deployments, our research showed there is an inadequate supply of capable, affordable talent. That challenge is made more difficult by the ongoing wave of Baby Boomer retirements. What's very clear from our data is that the industry needs to be more pointed to cultivate that Next Generation of talent.

## REASON FOR OPTIMISM

Despite the challenges, our research also showed reason for optimism. The transition to the hybrid office model combined with the increasing adoption of enterprise technology and AI has opened up access to talent. Firms embracing hybrid office models are now extending themselves to out-of-state talent like never before. The willingness to rethink the importance of geographic proximity in talent acquisition is incredibly positive. Just as important, the industry's greater reliance on technology is attracting individuals from other, tech-intensive sectors of the economy. In 2022, we saw an increased appetite for leadership with a demonstrated track record of technology deployments that improve operational efficiency.

90%

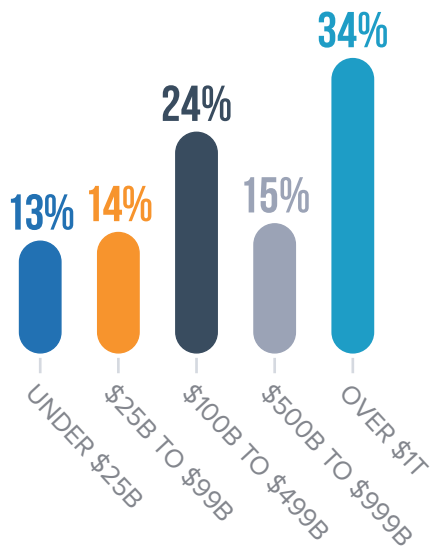
OF OUR RESPONDENTS SAID THEIR FIRMS  
HAVE ADOPTED A HYBRID OFFICE MODEL.

## FLEXIBILITY, CREATIVITY IS THE SOLUTION

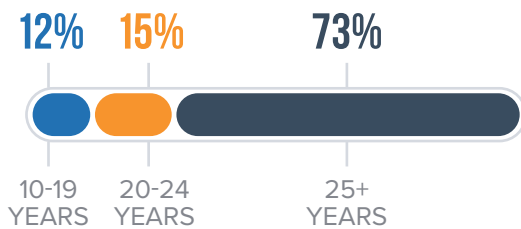
The net effect is that the industry has become more adept and willing to consider new ways of doing business. This flexibility is exactly what's needed to address the talent shortage. Without new people from other industries, the asset management business will be hard-pressed to meet its growth objectives. Perhaps our single most important takeaway from this year's research is the industry's willingness to think more creatively about talent acquisition, development, and retention.

# PROFILE OF OUR DISTRIBUTION PARTICIPANTS

## SIZE OF PARTICIPANT FIRMS



## HOW MANY YEARS IN THE INVESTMENT INDUSTRY



## REPRESENTATIVE TITLES OF PARTICIPANTS

MD, Global Strategic Partnerships

EVP, Americas Distribution

SVP, Head of US Intermediary Distribution

Head of US Wealth

National Sales Manager

Co-Head of Distribution

Head of Private Wealth Solutions

Divisional Sales Manager

EVP, Wealth Management

SVP, Head of National Accounts

## REPORT SCOPE

For more than a decade, Kathy Freeman Company has produced the Talent Trends Report specifically focused on the investment industry. The objective is to provide unique insight into talent acquisition, retention, and development as part of a holistic, human capital strategy. Our reports are intended to help CEOs, senior leaders, and human resources executives understand the latest talent trends, supporting their efforts to secure the very best people possible to grow their businesses. Similarly, our Talent Trends Reports are leveraged frequently by industry professionals contemplating their own career decisions and direction. All of our reports are made possible by the gracious contributions of time and insight by the industry's top leaders. Our appreciation goes out to each of our participants for sharing their lens on the dynamics that impact talent within their own organizations.

## METHODOLOGY

This Talent Trends Report is based on an invitation only survey of an exclusive group of executive-level sales and distribution leaders from the Asset Management industry. This survey was conducted during the fourth quarter of 2022.

For review of previous white papers, blogs, and case studies visit: [www.kathyfreemanco.com](http://www.kathyfreemanco.com)





## THE CURRENT AND FUTURE STATE OF INDUSTRY TALENT

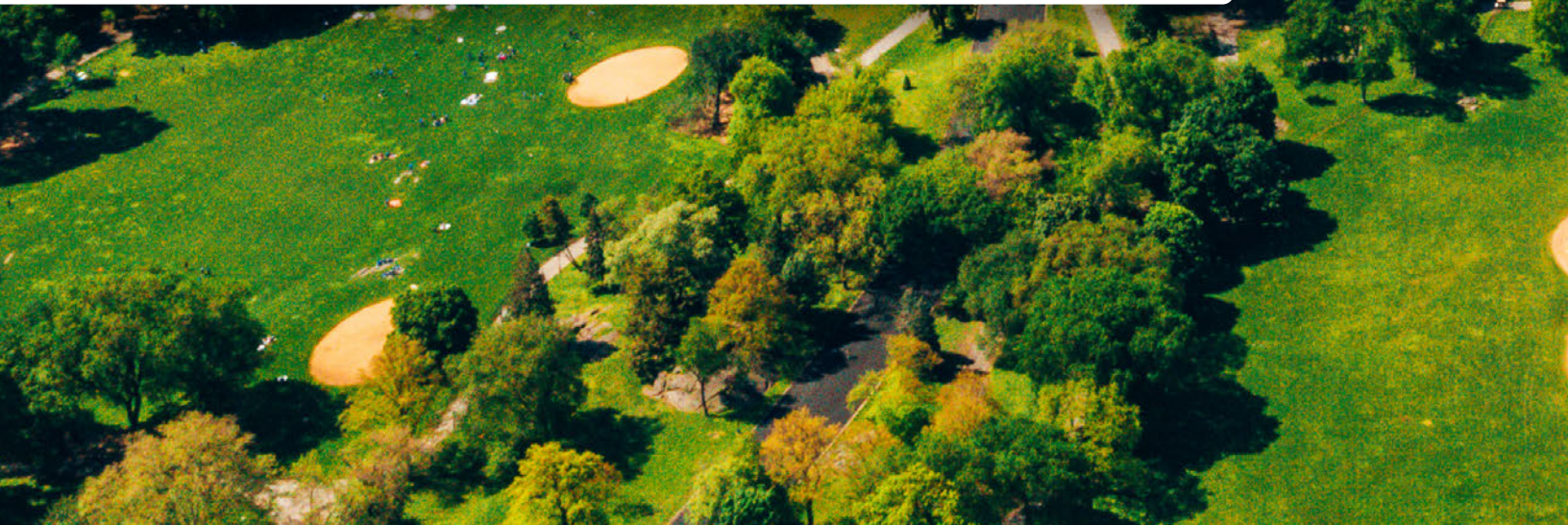
To organize the results from our survey, we've synthesized the findings into two parts.

### PART 1 – PULSE CHECK

Part 1 is a pulse check on the state of talent in the asset management business. It covers current market conditions and highlights the difficulties leadership is having in finding the right fit due to employers' and employees' diverging expectations and priorities.

### PART 2 – RECOMMENDATIONS

Part 2 provides perspective and recommendations about the talent strategies to achieve the industry's business goals. This includes initiatives for employee acquisition, retention, development and engagement; maintaining corporate culture in a world defined by the hybrid workforce; accelerating Diversity, Equity & Inclusion; and building a robust leadership pipeline, while working through the steady flow of Baby Boomer retirements.





## PART 1: CURRENT STATE OF AFFAIRS

### THE GREAT RESIGNATION IS FADING

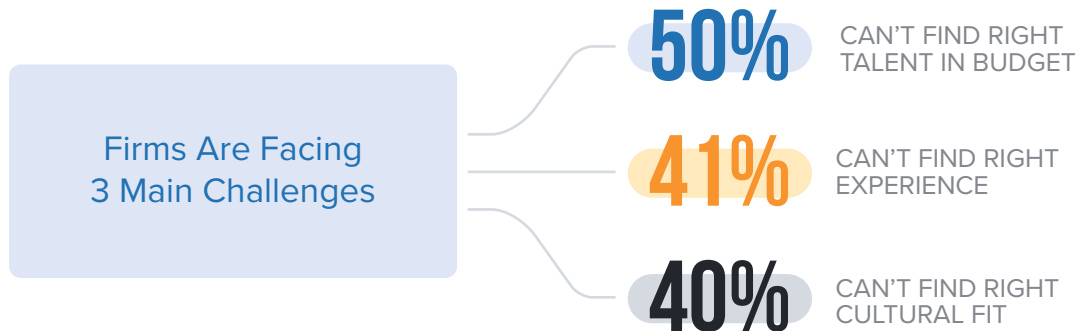
55%



Fifty-five percent of our respondents are no longer concerned about the wave of post-pandemic resignations, though 45% still are. In 2021, our research showed it was definitely a seller's market for talent, but not so in 2022. Only 35% of leaders felt like the balance of power was with employees this year.

### TALENT CHALLENGES ARE IMPACTING BUSINESS GROWTH

A full 50% percent acknowledged the difficulty in finding the right talent within their budgets. 40% struggled to identify the proper cultural fit, and 41% are simply unable to find the experience they need. A startling 55% said they are experiencing counter offers during negotiations with prospective employees.



### SCARCITY OF LEADERSHIP IN TALENT PIPELINE

Thirty-nine percent say there isn't enough leadership talent in development over the next two to five years to achieve their business objectives. To address the challenge, leaders are devoting more resources and time to professional development, mentoring, and employee engagement.

39% OF LEADERS

Say there is not enough up and coming leadership talent

# REPERCUSSIONS OF HYBRID ARE STILL UNFOLDING

90%

Adopted A Hybrid Model

Ninety percent of our leaders said their firms have adopted a hybrid office model. The rapid evolution from the industry's century-old business model is evident in its new flexibility, but it comes with its own challenges.

50%

Say Hybrid Is Holding Back Development More Than Anticipated

Fifty percent believe the newly combined in and out-of-the-office work environment has held back the development of Next Gen talent.

43%

Say Hybrid Is Negatively Impacting Culture

Forty-three percent believe it is negative for corporate culture and collaboration.

## PUSHBACK FROM EMPLOYEES

1 IN 3

Nearly a third of our leaders have either lost employees or candidates over their firm's existing WFH/In-office policy.

55%

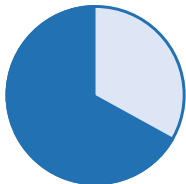
Fifty-five percent of our leaders are still experiencing pushback about being in the office.

## EMPLOYEES PRIORITIZE AROUND HYBRID WORK ARRANGEMENTS

Sixty-six percent said the opportunity to work from home several days a week is the best way to attract and retain employees and keep them engaged – even more so than higher compensation.

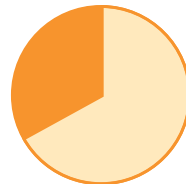
WHAT ARE YOUR MOST SUCCESSFUL RETENTION STRATEGIES?

66%



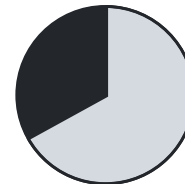
MORE FLEXIBLE WORK ARRANGEMENTS

33%



ENHANCING COMPENSATION

33%

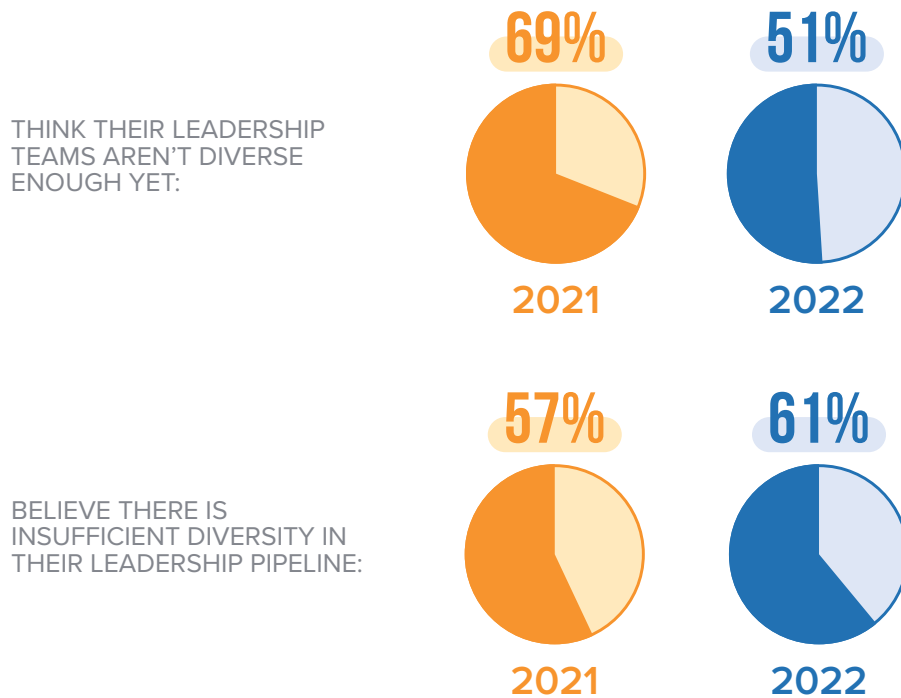


ENHANCING TRAINING, DEVELOPMENT AND MENTORSHIP PROGRAMS

## DIVERSITY IS IMPROVING...SLOWLY

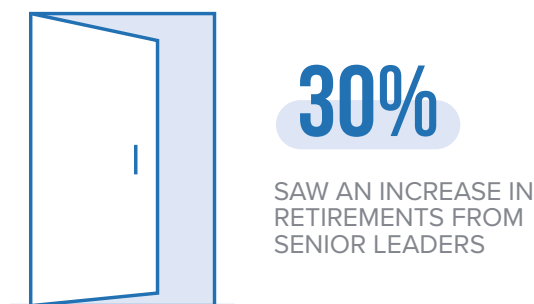
**Fifty-one percent** said their company's leadership team currently lacks the diversity they are seeking. That is a modest improvement from 2021, when more than two-thirds said their teams weren't diverse enough. In terms of diversity leadership in the pipeline, there's also more work to be done. In 2022, 61% indicated there wasn't enough diversity talent in the pipeline. In **2021**, 57% said there weren't enough emerging diversity leaders ready to assume key positions in their companies.

In our view, the data likely points to a rise in expectations. Now that firms are successfully developing diversity talent for leadership positions, the demand for more is greater. It may also be an indication that development and recruitment programs for diversity talent still need more resources and management support.



## BOOMER RETIREMENTS CREATE URGENCY FOR TALENT

**Thirty percent** saw an increase in senior leaders leaving their firms in 2022. Many firms have succession plans in place, but 56% say it is too early to tell whether they are working.

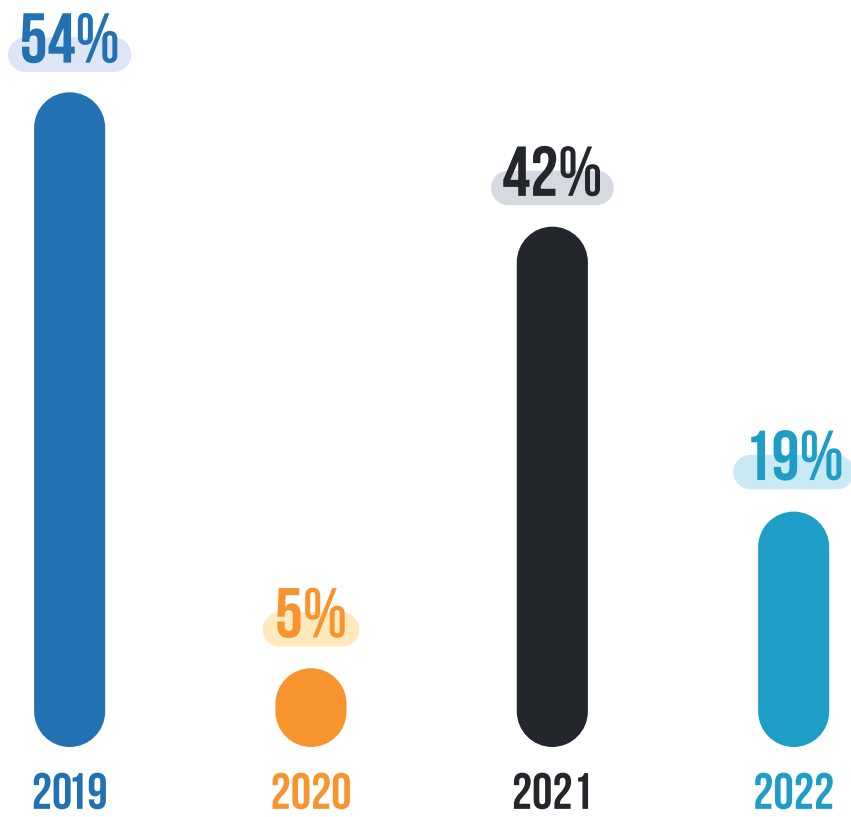




## LOWER EXPECTATIONS FOR COMPENSATION

In 2022, just 19% of our respondents said they expected a bump in pay for the year. At the same time, 40% expected to see a drop in compensation. Looking back to 2019, expectations have varied widely. In 2021, 42% expected an increase in pay. The combination of the Covid rebound and the Great Resignation prompted firms to be more competitive. In 2020, however, just 5% expected an increase in pay for that year because of the onset of the pandemic and the uncertainty that surrounded it. Just a year earlier, in the bull market of 2019, expectations were very high. Fifty-four percent expected compensation to rise.

PERCENTAGE OF RESPONDENTS EXPECTING AN INCREASE IN CASH COMPENSATION



## PART 2: WHAT THE FUTURE HOLDS IN A TALENT-SCARCE WORLD

### A TALENT SHORTAGE

The continuing scarcity of talent in the industry shows up almost everywhere in the data, and it is evident in our search work with leaders and candidates. Complicating the matter is that employers are being more selective about prospects. This trend – fewer candidates and Baby Boomer retirements – is exacerbating the talent shortage.

**75 MILLION  
BABY BOOMERS**  
ARE EXPECTED TO RETIRE BY 2030

SOURCE: ADECCO

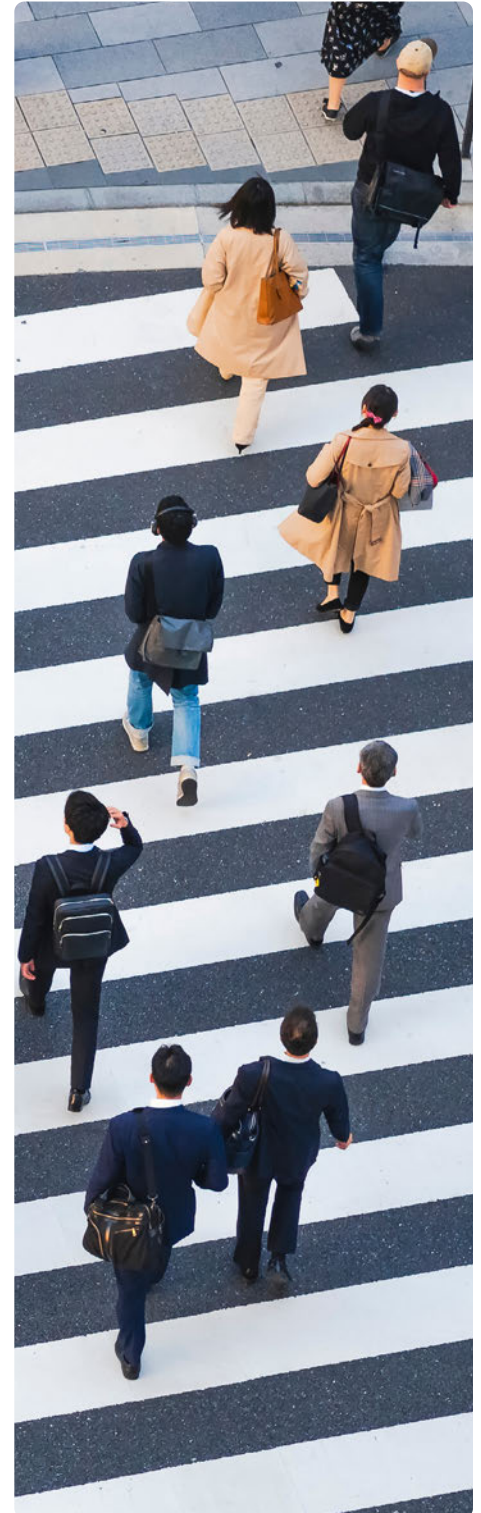
Given the current market dynamics, how then should firms be thinking about talent acquisition and management?

### A Deficit of Talent and Skillsets

Let's start by addressing the deficit of talent and skillsets. Leaders in our survey say it's difficult to find the right cultural fit with the right experience at the right price. That being the case, we see an opportunity to refine the recruiting process through a prioritization lens. Leaders may want to prioritize around a particular skillset, product familiarity, compensation range, or relevant experience, but in today's market for talent, finding everything is increasingly difficult. Reframing the talent acquisition strategy to intentionally acknowledge what you can do without is the new normal.

### The Right Experience is Difficult to Find

Of all the requisite qualifications, direct experience is becoming the bigger industry challenge. This is due to the growing number of Baby Boomer exits over the past few years, coupled with the lack of professional growth, exacerbated by the extensive time spent in a remote workplace setting. When the depth of direct experience doesn't measure up, it may be time to pivot and consider a candidate's potential for development instead. Could an obvious shortcoming be viewed as an opportunity to invest in that individual and transform them into a loyal, long-term employee?



## WHAT LEADERS ARE LOOKING FOR

We've been asking a question about leadership development for several years now, and the findings are consistent. There aren't enough development programs to supply the industry with leadership talent. Our 2022 participants reiterated their concern about the need to expand the depth of talent available to the industry.

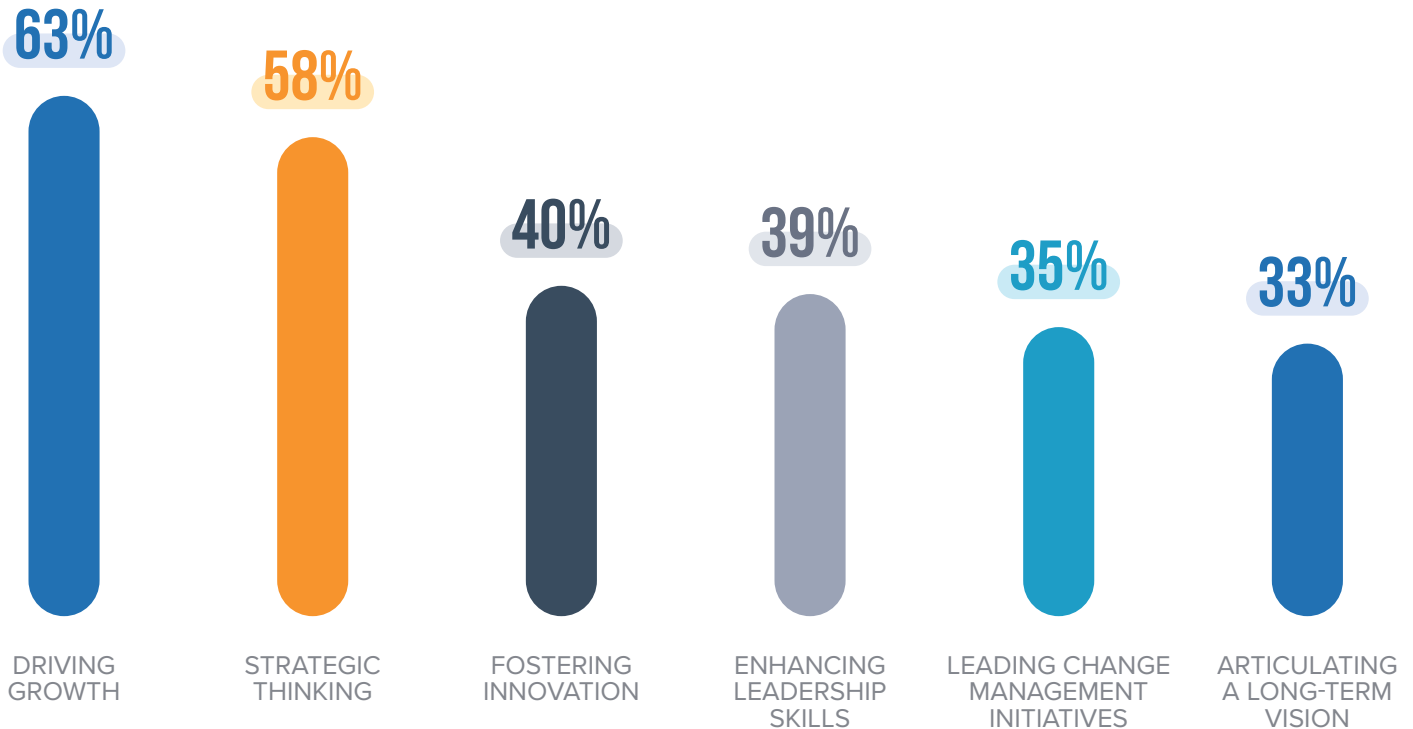
**Fifty-eight percent** say the most critical priority is strategic thinking. **Sixty-three percent** said they need more emerging leaders focused on driving growth. Forty percent said fostering innovation is a critical quality in new leaders.

### Creating a Game Plan

The challenge is translating talent development into an actionable game plan. Given how stretched many firms are: where, when and how will the development actually take place? At the office? In person? Is it through mentorship, executive coaching, or both? As important, how do we know if employees will buy in and champion these priorities?

The uncertainties in talent development call to mind one of our clients who recently had an employee pressing for an accelerated promotion into a leadership role. The individual was lacking capabilities in a few areas, so the company offered an executive coach in an effort to bridge these competency gaps. Ironically, this individual didn't see the necessity to make time for coaching but rather saw the promotion as something that was "deserved". This is an excellent illustration and reminder that talent development is a two-way street, so testing the waters is necessary to identify those who are truly committed to their own personal growth.

WHAT ARE THE MOST CRITICAL PRIORITIES FOR TALENT DEVELOPMENT?





## EMPLOYEE ENGAGEMENT – WHAT NOW?

Another interesting finding is the differing points of view about employee engagement. Leaders are spending more time on employee engagement because it is working. However, the reality is that employees want less of it. Now freed from the office Monday through Friday, many want to put in their time – and that’s it. This is the essence of Quiet Quitting: *I’ll do my job well enough to stay employed, but don’t expect me to be married to the job. There’s more to life than work.*

### Impact of Zoom Exhaustion

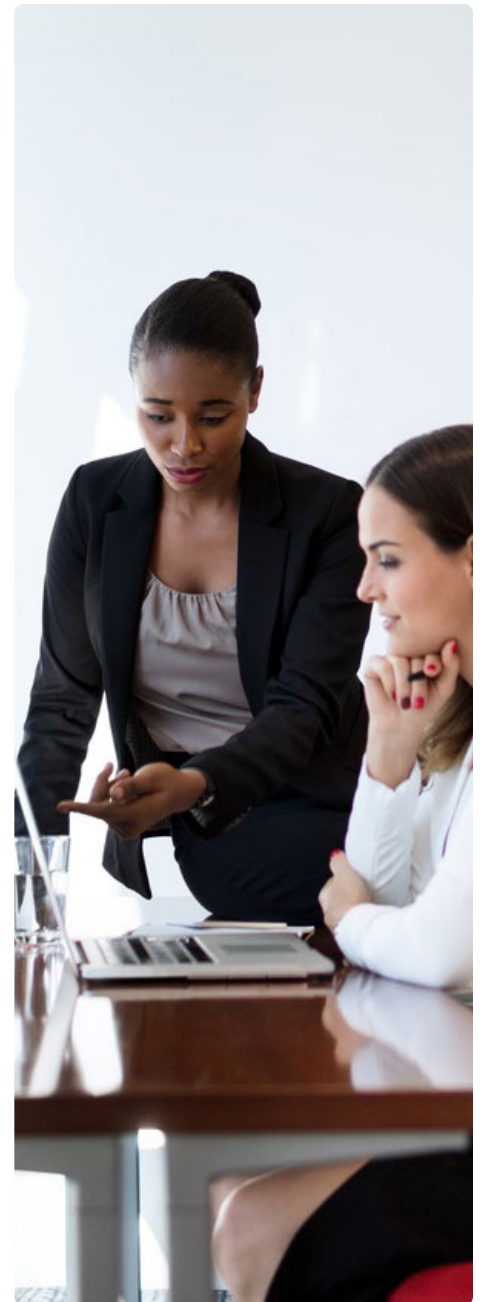
In the hybrid office environment, how should we think about connecting with people and building relationships? How do we maximize those three days a week when people are in the office? Separately, on Work From Home days, what’s the most productive way to meet? Is Zoom really best? In recent discussions with clients, the issue of Zoom fatigue has been surfacing once again. It begs the question as to whether leadership in our industry has forgotten the effectiveness of a conference call, a critical tool in the efficiency arsenal pre-pandemic.

If we’re endeavoring to promote quality of life for our colleagues, we should empower multi-tasking once again as opposed to the one-dimensionality of Zoom. For example, a phone call instead of Zoom would enable a parent to drop their kids off at school and still dial into a meeting. Instead, more and more people are having to “apologize” for being absent on video because they are in the car. Why make people apologize for missing a Zoom when a call would suffice?

66%



OF LEADERS CITED MORE FLEXIBILITY IN WORKING ARRANGEMENTS AS A TOP RETENTION TOOL



### Connecting Better with Next Gen

Another consideration for Baby Boomer leaders is meeting Millennials and Gen Z halfway when it comes to work style. For example, texting is the preferred mode of communication among these age cohorts. While some firms limit texting for security and/or regulatory reasons, it is an excellent approach to building rapport with younger talent to make the effort to communicate on their preferred platform.



## CREATING A DESTINATION FOR EXCELLENCE

The industry's solution to talent development depends not only on engagement but also requires bold action and innovation. We believe our industry is at a tipping point. We may very well need to create a gold standard for training and development. While the industry has many worthwhile training programs, there is no Six Sigma or equivalent in the asset management business.

A recent analysis by the Philadelphia think tank Burning Glass Institute suggests that employee development and upward career mobility go hand-in-hand. If employees work for companies that excel in career mobility, like AT&T, American Express, and Cisco Systems – the study's highest-ranked companies for economic and career opportunities – talent will do significantly better over the long term. Who wouldn't jump at the chance to work for a firm known for offering this kind of career opportunity?

### Intentionally Invest in Training and Development

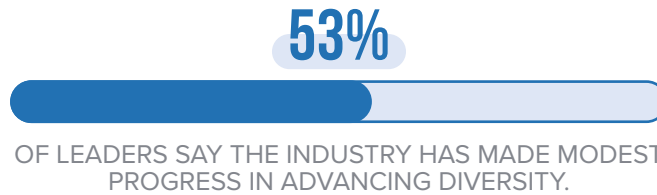
In our view, the industry should aspire to create programs that appeal to mid-career professionals, as well as those just beginning their careers. With big layoffs in the tech sector, now may also be the ideal time to draw in cross-industry talent. The industry should highlight its stability compared to other industries going through disruptive workforce reductions. In 2023, one of the strongest messages to potential recruits should be the stability of the industry, which stems from its role as a fiduciary.

**EMPHASIZE THE  
INDUSTRY'S STABILITY**  
AS A RECRUITING TOOL IN 2023

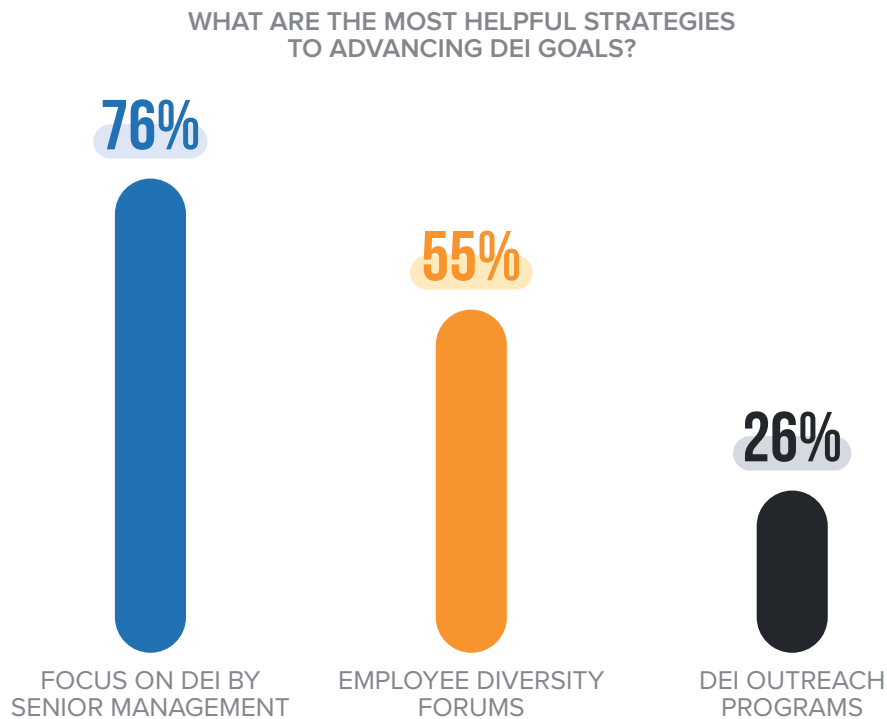
The need for a higher standard of professional development in our industry was recently echoed by one of our clients. The executive wanted her global function to become the destination for the best and the brightest out of college. She recalled the days when graduates from top business schools sought out IBM, GE, and Xerox to pursue as a destination for their careers. Today there aren't many, if any, firms in asset management that carry a similar level of notoriety. It may be an excellent time for firms to consider investing in world-class training and development programs as a differentiator to attract top talent.

## DIVERSITY REMAINS A KEY PRIORITY

From our perspective, the industry has shown it is committed to improving Diversity, Equity & Inclusion. DEI is a routine part of our conversation with clients, and that emphasis is reinforced by our research over the past few years. **Our 2022 data found that 53%** of leaders say the industry has made modest progress in advancing diversity. However, these leaders are more critical of their own firms and recognize that still more needs to be done.



In support of that goal, **76%** said the most effective way to advance DEI was through the active involvement of senior management – more so than any other strategy. Another effective approach is through diversity forums. Fifty-five percent said the dialogue fostered by diversity forums has advanced their DEI goals. Assuredly, more progress is essential, but it's heartening that the industry knows what it needs to do.







## THE OPPORTUNITY AMID THE CHALLENGES

The scarcity of talent is just the latest challenge facing the asset management business, along with choppy financial markets and a likely economic slowdown expected into the first half of 2023.

In our view, success in the current environment requires a two-tiered approach to talent management. First, we need to develop new approaches to identify and recruit more talent as the industry faces a generational shift in Baby Boomer retirements. In parallel, we need to make long-term investments to attract people to the business.

## PROMOTE THE INDUSTRY'S VISION AND MISSION

Importantly, we need to be intentional to communicate that asset management is a mission-driven industry with a clear social purpose. For tens of millions of people in the U.S. and abroad, the investment industry helps individuals and families secure their financial future, enjoy retirement, and live life on their own terms. The industry's extensive, but not always apparent, philanthropic efforts have been exemplary. This should be called out to appeal to talent that wants to work for companies that truly believe in corporate social responsibility.

At the end of the day, the industry has much to offer. Collectively, it's our job to show talented individuals that asset management is a destination to build a meaningful career, achieve long-term goals, and create personal wealth.

## 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 30 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.

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talent to help fuel  
your firm's growth?*

*Let's work together!*

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