

Annual Talent Trends Report



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Report Scope

For the past 15 years, 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 frequently leveraged 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 senior industry leaders across distribution, product, and marketing within asset management. This survey was conducted during the fourth quarter of 2023.

Profile of Our Distribution Participants

Participant Experience/Demographics

20+
YEARS

84%

Possess 20+ Years Investment Industry Experience

10+
YEARS

82%

Held Industry Leadership Roles for 10+ Years



34%

Women in Leadership

Size of Participant Firms

32% Over \$1T

17% \$500B to \$999B

22% \$100B to \$499B

20% \$25B to \$99B

9% Under \$25B

Representative Titles of Contributing Participants

- ▶ Chief Marketing Officer
- ▶ Head of Institutional and Intermediary Distribution
- ▶ Head of US Wealth
- ▶ EVP, Americas Distribution
- ▶ Head of Global Product
- ▶ National Sales Manager
- ▶ Head of Client and Product Marketing
- ▶ Head of Private Wealth Solutions
- ▶ SVP, Head of National Accounts
- ▶ Head of Global Strategic Relationships



Introduction – Today’s Talent Landscape

What elements are impacting asset management talent at this moment? In our 15th annual proprietary talent research study, we gathered data from senior leadership across the industry to identify pain points, pivot points, and opportunities for leadership and their teams to navigate the evolution of contemporary asset management.

As the world has confronted a constant barrage of change, including globalization, an aging population, artificial intelligence, and geopolitical tensions, the asset management industry has been simultaneously addressing a rising interest rate environment, a steady outflow of assets, and a clear need for some firms to redefine their brands from domestic, long-only equity fund shops to diversified global investment firms.

In this report, we distill the findings from the data to draw insights that business leaders can leverage to understand and adapt to this changing landscape – and its impact on talent management.

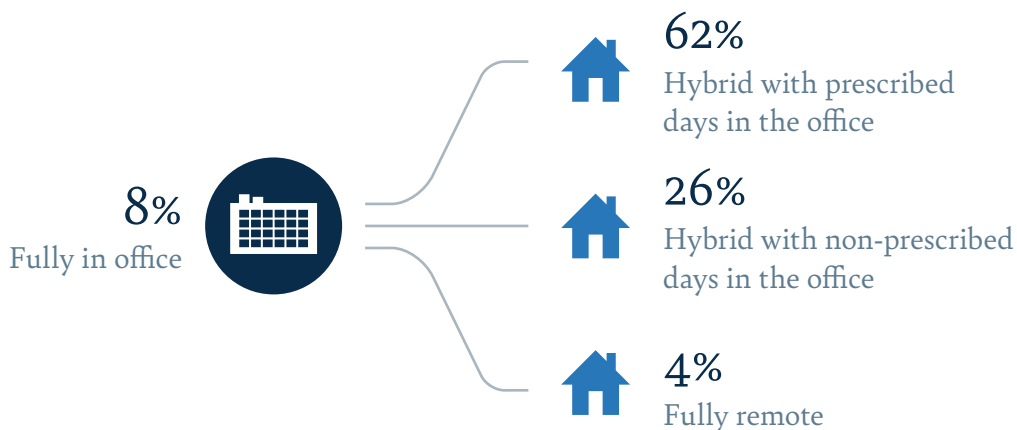
Women in Asset Management Leadership is on the Rise

Of note is that this latest report represents a record in terms of gender diversity, with a third of our respondents identifying as female. This reflects evidence of an encouraging leadership trend in an industry that has been working diligently over the years to become more representative.

Workforce Dynamics – The Quest for Balance

The evolution of workforce preferences is impacting how leaders build cohesive teams, attract and retain talent, and develop their talent to its fullest potential. This year's data shows that a majority of firms are committed to a hybrid work model for their workforce, with 88% of leaders toggling between prescribed and non-prescribed days in the office.

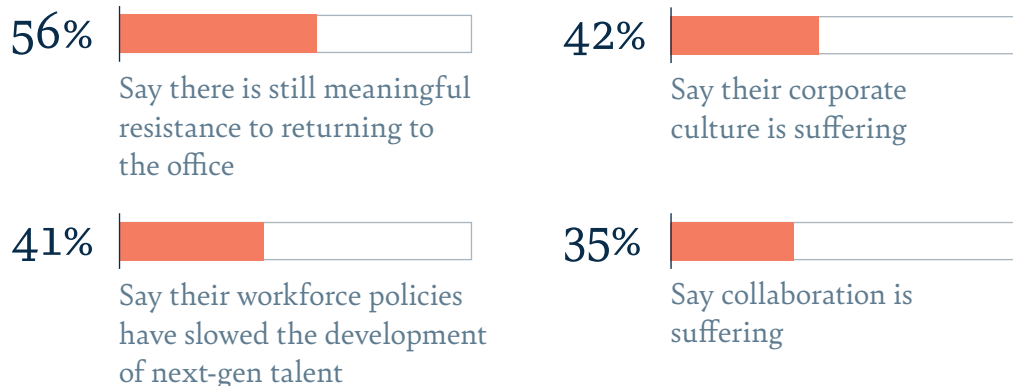
Hybrid Continues to Dominate



Despite the flexibility offered to asset management staff through hybrid work arrangements, a significant 56% of leaders continue to get pushback on their policies.

Right now, leaders may need to insist on time together, where the business and collective teams can thrive, illustrating the importance of productivity and creativity, which are necessary to build strong, future-proof businesses.

Leaders Continue to Face Challenges Around Workforce Policies



What Positive Outcomes Have You Experienced as a Result of Your Company's Workforce Policy?



49%
Enhanced Attractiveness to Talent in the Market



34%
Improved Morale



32%
Increased Retention

Workforce Policy as a Potential Talent Magnet

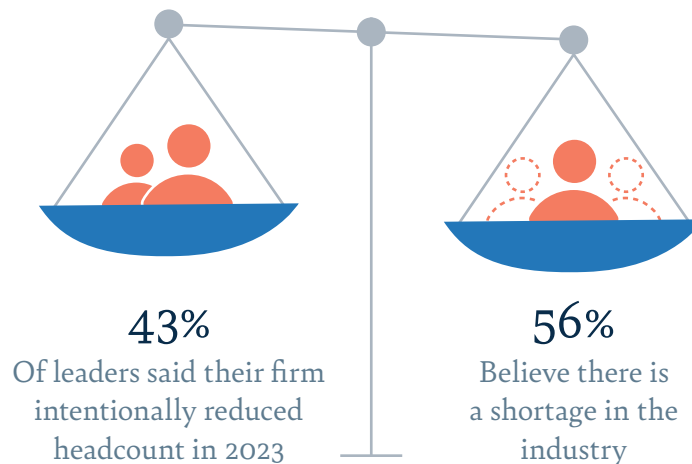
When discussing the positive outcomes of their workforce policies, the one that firms most commonly cite is their enhanced attractiveness to talent in the market. With industry attractiveness an issue that will likely be hampered by increasing regulation and market volatility, appealing and flexible workforce policies could be a key differentiator in the war for talent. Coupled with improved morale and retention, it's clear they can also help avoid losing talent.

The Impact of Cost-Cutting and Industry Consolidations on Workforce Dynamics

The shift to maximizing corporate efficiency began in earnest in 2023, with 43% of leaders acknowledging that their firms participated in a headcount reduction. While many of those reductions were minimal compared to the respective firms' total employee populations, they nonetheless negatively impacted numerous people across the industry.

These staff reductions appear to be a contradictory move in a time of talent shortages. Against a backdrop of broad-ranging industry consolidation, companies are re-evaluating their staffing needs, and focusing on keeping the right people in key positions while hiring external talent to build new business lines.

Balance of Power Enters Equilibrium State



As we look at the balance of power going into 2024 between employers and employees, we seem to have finally found an equilibrium, which has been absent in the past several years.

M&A Will Reshape the Industry

A wave of consolidation is sweeping the asset management industry, with 61% of our survey participants saying they think their firm may be involved in a merger or acquisition in the next two years. This figure rises to 90% looking at a five-year horizon. This is because asset management has grown both more complex and more competitive, placing great pressure on managers to streamline their processes and cut costs while also building market share, accessing new investment avenues, and mitigating risk.

Leadership Confirms Expectation that Industry Consolidation is Coming



61%

Think their firms may merge or acquire in the next two years



90%

Think a merger or acquisition is possible within the next five years

This finding is confirmed by [PwC's 2023 Global Asset and Wealth Management Survey](#), which found that almost three-quarters of asset managers were considering consolidating with another, leading to the projection that 16% of existing asset and wealth management organizations will disappear by 2027. This implies that the industry's 10 largest firms may control about 50% of market share, compared with 42.5% in 2020.

Making these mergers and acquisitions work will require careful management of critical talent, which may be spooked by the uncertainty that comes with changes in remuneration, culture, and company direction. This is especially important considering that staff retention impacts intellectual capital, institutional and operational knowledge, and client relationships, and thus has a direct impact on company valuation.





The Talent Shortage Remains a Factor

In this year's survey, 56% of leaders indicated that they are experiencing a talent shortage heading into 2024. With many factors contributing, such as the evolution of the industry and work-life balance, organizations cannot afford to dismiss this concerning trend.

Given that leaders surveyed attribute the talent shortage in part to the need for evolving skill sets, this might be an ideal time to test the level of intellectual curiosity or learning quotient of those on their teams. There's no better time than now to suggest, even require, that they lean into new skills training. Whether this is around data, analytics, AI, the digital aspects of scaling sales, mentorship, or even additional licensing, people will push back because they prefer the status quo. Then the question reverts back to leadership: Is the status quo satisfactory? Or should leaders be more intentional about changing out more complacent workers?

The second most frequently mentioned issue in finding the proper talent is a lack of sufficient experience necessary for new roles. Developing the next generation of talent has been a struggle since the start of the pandemic, and the accompanying pivot to remote or hybrid work. We are a society that learns through interacting with others, and unfortunately Zoom or Teams meetings cannot replicate the many dimensions necessary to learn through working elbow-to-elbow with our colleagues. Leaders must recognize the necessity in today's limited market for talent for compromise. While the goal remains finding that 80% fit, the reality is that there will be greater need for concurrent skills development for many new hires going forward.

What Is Contributing to the Industry Talent Shortage?



45%

Evolution of the industry is demanding new skillsets



36%

Available talent lacks sufficient experience

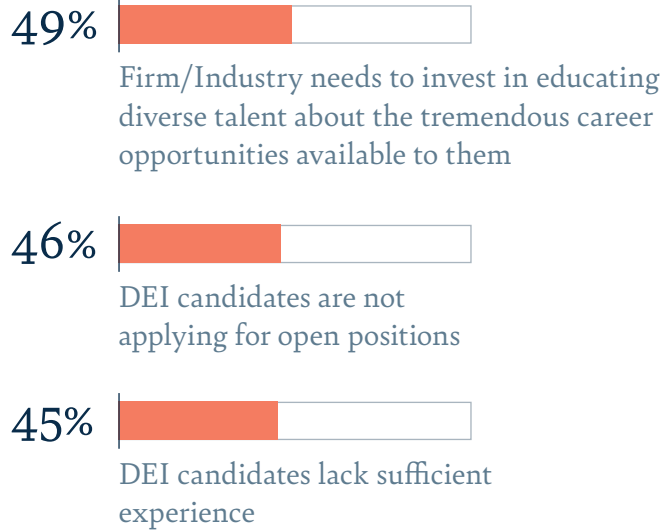


30%

Not enough people have been attracted to this industry

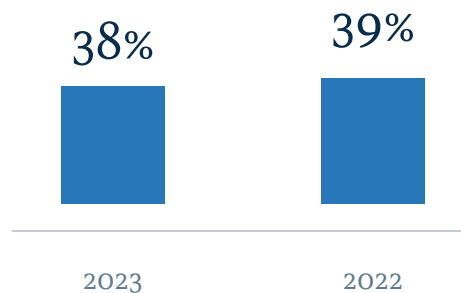


Challenges to Recruiting More DEI Leadership



Building diversity into our organizations is a key priority in all our clients' talent acquisition strategies. Leaders cite the need to educate diverse talent pools more intentionally about opportunities in asset management, and to support the training and development of this talent. The priority is to capture the mindshare and interest from diverse talent first and then to promote training and development as a pathway to enhancing the industry's attractiveness more broadly to women and people of color.

Limited Leadership Pipeline



Consistent with 2022, this year's participants are concerned they don't have sufficient talent in their leadership pipeline to achieve their business goals.

Beyond the shortage of staff at all levels, asset management leaders are acutely concerned about the future of their businesses without sufficient leaders in place to support ongoing growth.

The Enhanced Importance of Retention

In a market with limited talent, retention strategies become paramount to any leader's business planning. So, what are firms and their leadership today doing to stem the tide of departures? In 2023, 38% of participants offered flexible working arrangements for enhanced work-life balance. Beyond offering better work-life balance, 23% say they've become more intentional about defining in-house career opportunities. Over a quarter of survey respondents acknowledge they have lost talent to the competition.

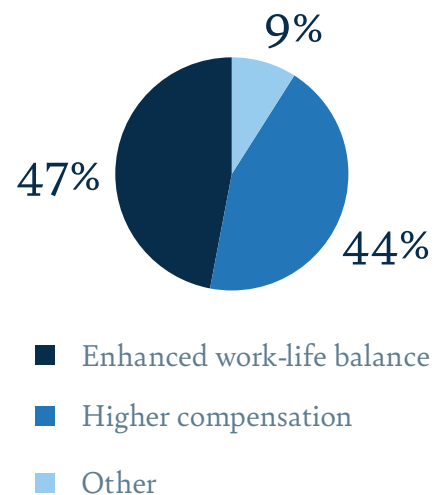
Which Statements Describe Your Company's Experience in Retaining Talent in 2023?



How are Leaders Prioritizing their Career Choices?

The so-called Great Resignation may have been declared finished in early 2023, but voluntary turnover rates in the US remain above pre-pandemic levels. Almost half our participants indicate they would prioritize their careers today around enhanced work-life balance over higher compensation.

It's not just executives who feel this way. [A 2022 McKinsey report](#) found 40% of workers were willing to quit their jobs for financial reasons, such as better pay or the need to move to a less expensive area, but also for non-financial ones, such as work meaningfulness, flexibility, and health and well-being support.





“2024 could be the year of the great reset, when talent reset their priorities around culture, servant leaders and working at firms with empowering culture, sacrificing money for flexibility.”

– Survey Participant

Top 3 Motivators for Change



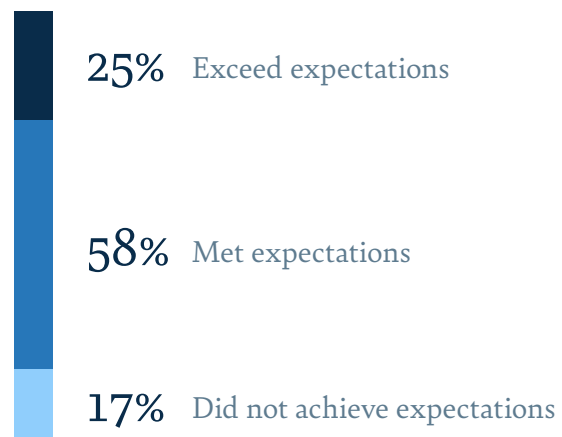
Perceived Lack of Innovation

Organizational Instability

Inability to Stretch Strategically

Recently, in preparation for a presentation conducted at a leadership summit on the topic of retention, we pulled data from our own search archives to frame the primary reasons that individuals would consider a change. We counseled leaders at the time that, while perceptions may not equal reality, there remains a real opportunity to play offense in talent retention through intentional development projects.

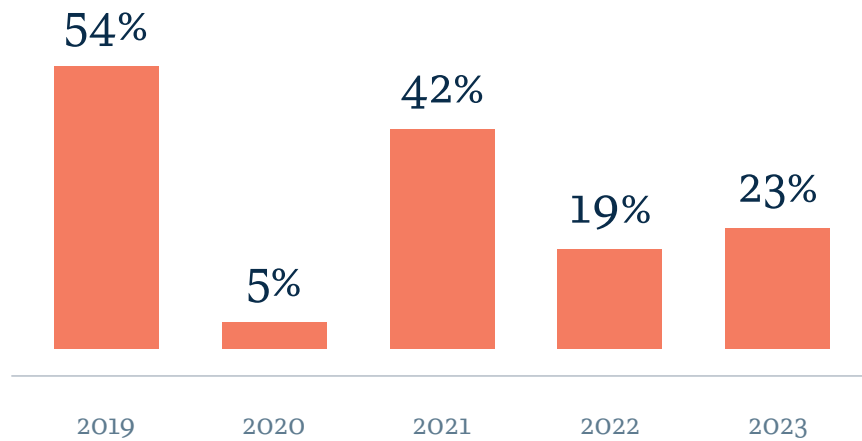
Rate Your Efforts Against Outcomes When it Comes to Diversifying Your Organization and Building an Inclusive Culture



Inclusiveness is another critical element of retention. This measures an ability to retain diverse talent once brought on board, and whether or not the company culture is inviting to those who have different backgrounds, cultures, and experiences. This year's data indicates that leaders are optimistic about their efforts to diversify their businesses. A full 58% of respondents acknowledged achieving their objectives and an additional 25% said they exceeded their expectations in terms of building an inclusive culture.

Compensation – Muted Once Again

Annual Trends: Expectations for Increased Cash Compensation



Compensation trends seem to be mirroring the broader challenges facing the industry and economy. The expectation for increased compensation in 2023 was just 23%, up slightly from the 19% who anticipated an increase last year. Clearly, a softening economy and industry workforce reductions muted the demand mindset for higher compensation, in deference to a more thankful attitude for earning a solid living and retaining employment.



↑ 40%
Expect Cash Compensation
to Increase in 2024

However, there is optimism looking ahead to 2024, with 85% of participants expecting increased asset flow and 40% predicting that those flows will translate into increased compensation



The Building Blocks of Today's Leadership Tool Kit

Companies that survived – even thrived – through the pandemic did so because their leadership recognized the opportunities that arose from difficult circumstances, and how to pivot to take advantage of those. A study of 1000 American business leaders published in [Harvard Business Review](#) confirmed this, finding that great leaders share an ability to recognize and adapt to the prevailing business climate and the opportunities it creates.

Organizations attempting to navigate today's volatile business environment need similarly savvy leadership, and they know it. Fifty-five percent of our survey participants report that they prioritized their own leadership development in 2023, a clear recognition of how important it is to pivot into change as asset management evolves at a record pace. The cumulative shifts in the leadership tool kit indicate the necessity of adopting a growth mindset in preparation for future changes.

Leaders Prioritized Around These Skill Sets in 2023



59%
Strategic thinking



46%
Vision setting



40%
Enhancing metric and
process orientation



34%
Empathy



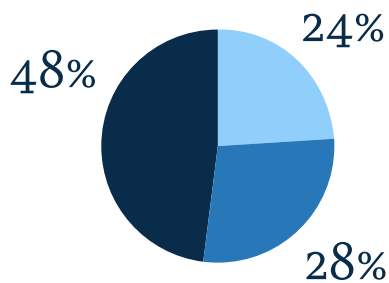
Framing DEI Progress – A Key Element in the Leadership Tool Kit

Today’s industry leaders have become more intentional about measuring DEI progress. While quantifying progress remains a challenge for many firms, conversations and accountability have been elevated in 2023.

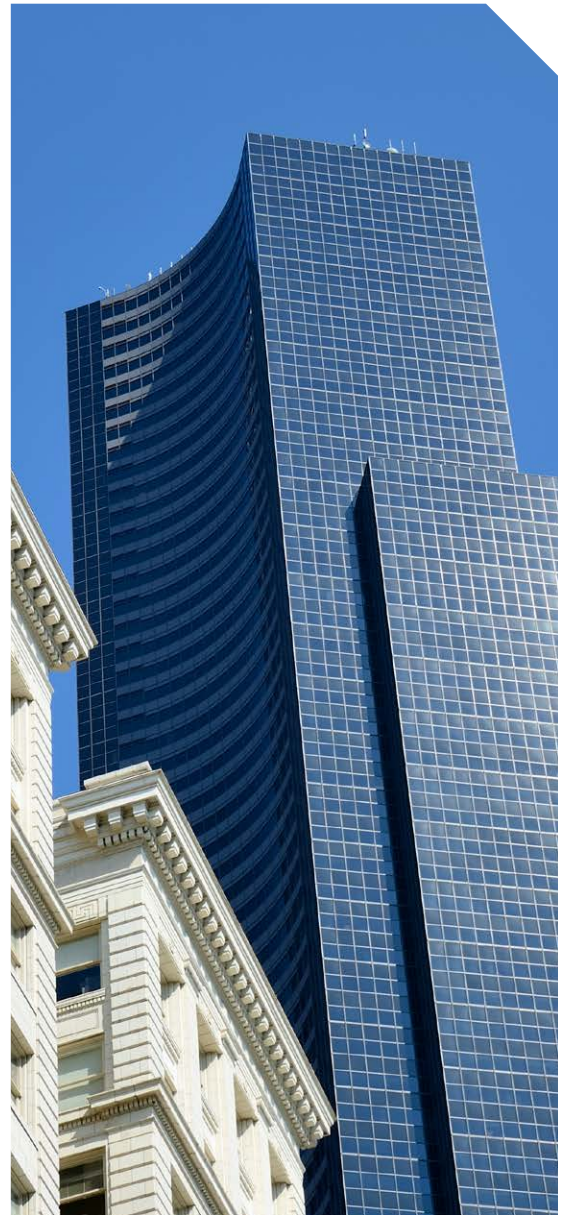
Our participants have implemented metrics to track the following:

- ▶ Developments in talent pipeline, pay differentials, promotion pipeline, and learning and development opportunities
- ▶ Change driven through training and recruitment efforts
- ▶ Changes in gender and race across staff and management, investments and leadership team
- ▶ Percentage of new hires who are female and/or people of color

Are We Making Progress on DEI?



- Believe that the industry has made meaningful progress in advancing DEI
- Say the industry has not made progress
- Are unsure if progress has been meaningful



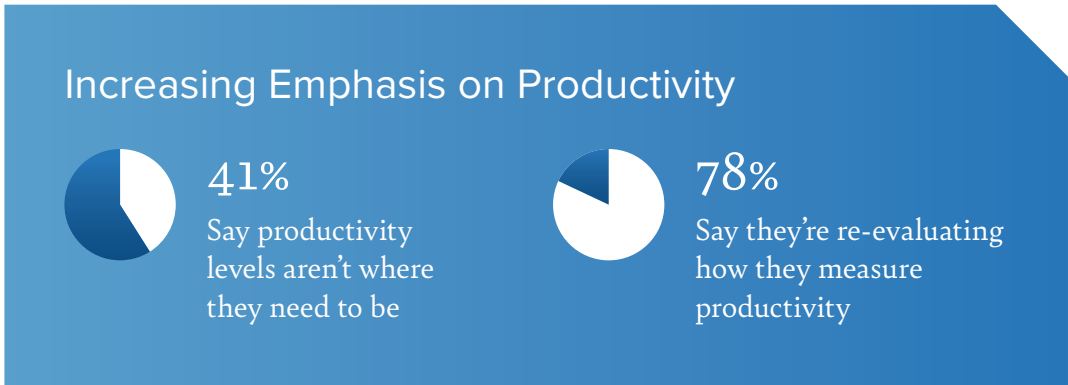
“We need more diversity at the top to create a vision in which diverse people can see themselves.”

– Survey Participant



Rethinking Productivity – Firms Doing More With Less

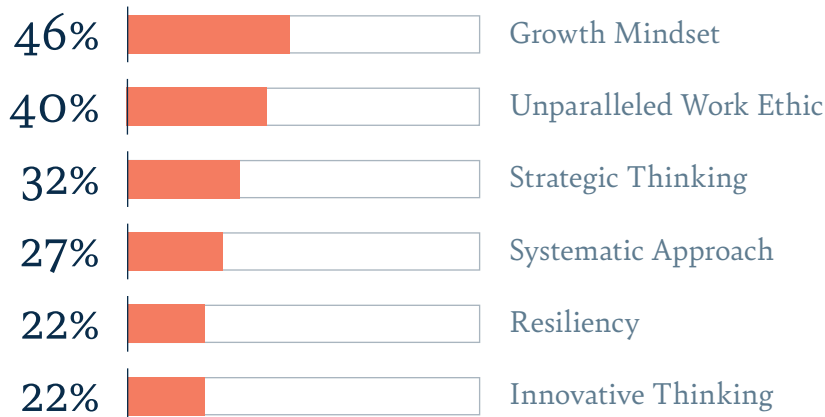
With talent scarce and growing headcounts difficult, leaders are prioritizing productivity now more than ever. That means their toolkits must include higher standards for staff, but also new metrics to understand what productivity means in an evolving business environment. After all, if you can't measure something, then there is no way to identify improvement.



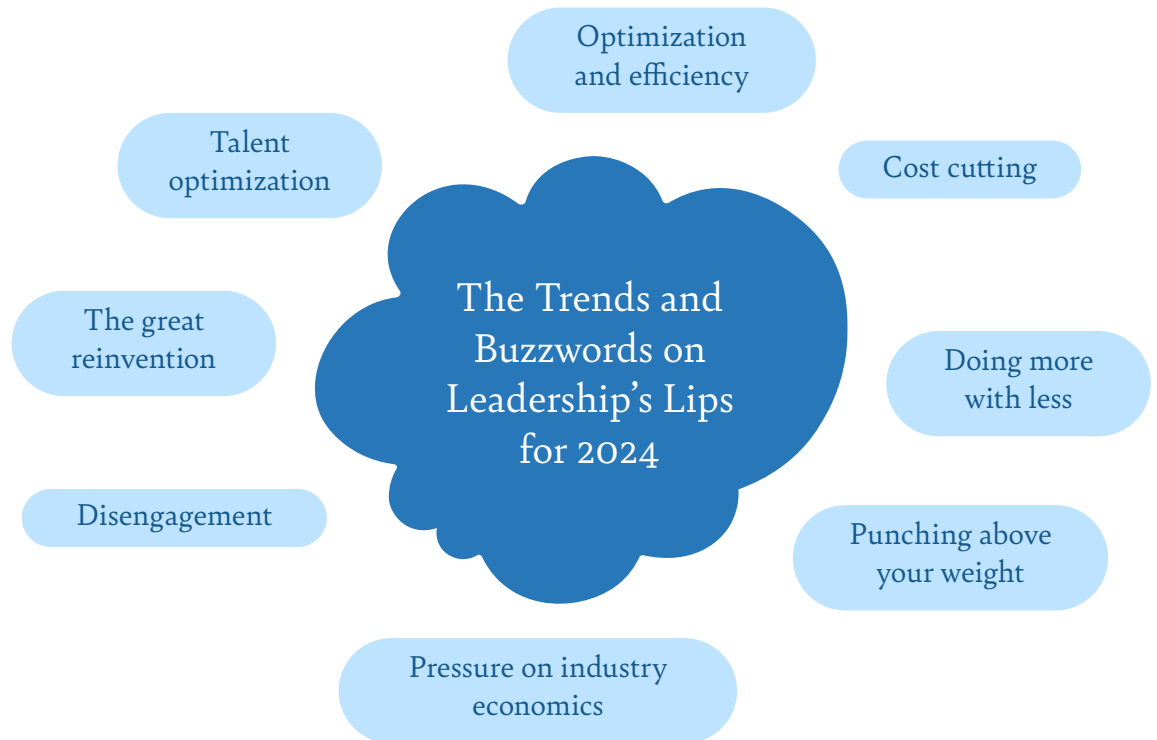
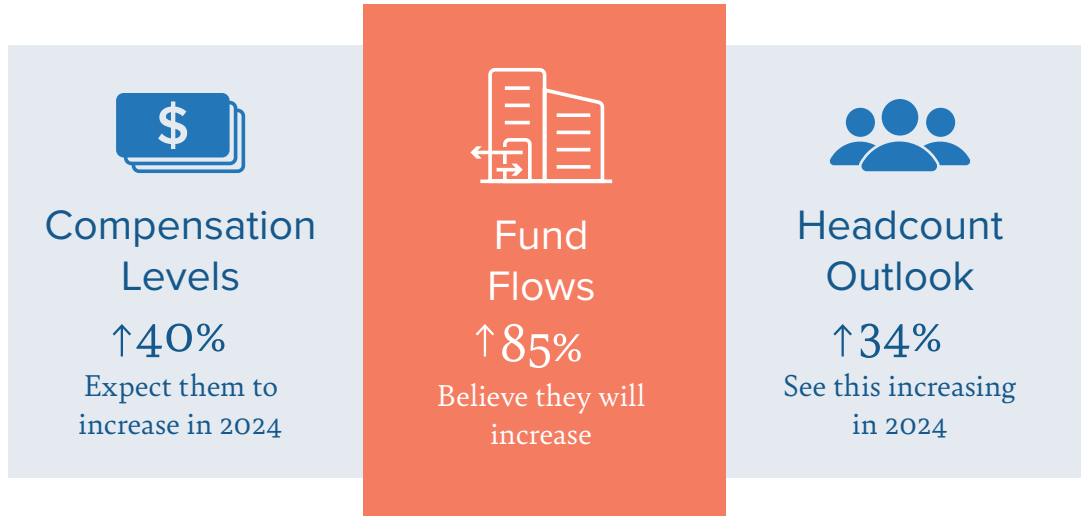
Of concern is that 41% of our participants say that productivity levels are not where they should be, which paints a worrying picture for an industry under increasing pressure to do more with less. Lower productivity may stem from a lack of engagement, struggles to adapt to industry and technological changes, or ambiguous metrics. Today there is heightened importance on leadership to set the bar higher.

As a matter of fact, 78% of our participants are rethinking their metrics around this, indicating a recognition among leadership of the changing nature of work and productivity – and the importance of measuring it. When you consider [research by McKinsey](#) that found the top performers in a role are 800% more productive than average workers in the same role, it becomes apparent how crucial it is to identify those top performers.

Top Attributes that Differentiate the Most Productive Performers



Expectations for 2024





Conclusion

It's a challenging time to be in the asset management industry. Inflation, threats of recession, and socioeconomic and geopolitical volatility are on the rise, driving uncertainty in markets. Firms are under financial pressure, having to do more with less. There's also a fundamental shift taking place, prompting a re-evaluation of investment philosophies and products, along with new debates about the nature of productivity and leadership. Organizations and employees alike need to walk a path of continuous learning, because the pace of change is not going to decrease, and those who do not lean in to learn will be left behind.

Hybrid work is here to stay and firms are learning how important it is to balance morale against productivity when defining their workforce policies.

While the industry has been presented with a raft of challenges this year, leaders have recognized the necessity of adopting a growth mindset. Understanding and leaning into challenges means an opportunity for innovation and reinvention. The industry is changing at a fundamental level, and asset managers who embrace this with new models, ideas and offerings will be the ones to thrive. This highlights the need to hire and retain innovative, adaptable, and resilient staff and leaders who are self-reflective and able to pivot into new directions as the business needs evolve.



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 deep understanding of the investment industry, consultative approach, experience, honed judgment, 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 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 outstanding return on investment for our clients.



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

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