THE BUY-SIDE CLUB

Trends and insights in Asset Management

December 2019

Contents

Introduction: A Tale of Two Cities

Asset managers are on the brink of a *"historic shakeout,"* **Bloomberg** declared in August 2019 with the investment industry "facing an existential crisis." Vast swathes of the industry are grappling with a quartet of challenges:

- **Identity crisis** – can active asset managers add value and survive the inexorable shift to low-cost passive strategies?
- **Talent crisis** – how to attract the best people into our industry, retain and develop them, and equip the workforce to thrive in a digital world.
- **Liquidity crisis**[1] – will the collapse of Neil Woodford's eponymous boutique herald more widespread liquidity mismatches?
- **Profitability crisis** – as fees are slashed and costs rise, revenues have not kept pace with AUM growth and as a result, profit margins are shrinking.

A quarter of asset management firms risk becoming unprofitable by 2028 unless they dramatically cut costs, grow revenues, or both, according to a white paper from Casey Quirk '*Industrial Evolution: Securing profitable growth in tomorrow's asset management industry*'.

Yet despite all these clouds on the horizon, pockets of the investment industry are thriving. Private market strategies in particular are enjoying strong demand from investors hungry for yields.

Our forward-thinking clients are in broad agreement that growth can be achieved through the four pillars of:

- Differentiated products
- Sophisticated, client-centric distribution
- Harnessing technology, analytics and data; and
- A proactive talent strategy to prepare the workforce and culture for future challenges and opportunities.

Hiring activity across the board is down this year compared to 2018 and several large managers have announced redundancies. However, certain skill sets are in high demand such as data scientists, ESG experts, and distribution professionals who can demonstrate technical expertise and a solutions mindset. It is incumbent upon individuals to future-proof their careers by acquiring the skills their organisations need, for instance, by learning to code.

The picture of an industry facing colossal hurdles but with vast opportunities is reminiscent of the picture Charles Dickens portrays in his '*A Tale of Two Cities:* " [...] it was the spring of hope, it was the winter of despair, we had everything before us, we had nothing before us..."

There are some positives arising from these challenges: fee compression means investors get better value. Tomorrow's principal competitors might not be other asset management firms, but could instead be the technology giants if they choose to orient their customer relationships and vast reserves of data towards entering the investment and savings industry.

This report expands upon the aforementioned obstacles and opportunities, and covers some of the most significant trends in the investment industry. It explains the impact these trends are having on talent strategy and provides recommendations for business leaders to consider.

> *A quarter of asset management firms risk becoming unprofitable by 2028 unless they dramatically cut costs, grow revenues, or both*
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> Casey Quirk

1. Amundi's CIO Pascal Blanqué has warned of a potential liquidity crisis in the fund management industry due to a mismatch between the open-ended, daily dealing structure of some funds and the liquidity profile of their underlying assets. Meanwhile, investment banks have curtailed their dealer and market making activities since the financial crisis, reducing their capacity to act as a buffer during sell-off periods. "The combination of a frantic search for yield, and the deterioration of market liquidity, can create mismatches," Pascal told Financial News as part of its Money Masters special report. "There is a severe underestimation of the effective liquidity of what is supposed to be liquid." He expects regulators to request that fund managers explain their liquidity and crisis management policies, and to be more precise about their definitions of liquidity

Digital disruption

Data science and artificial intelligence (AI) are transforming every stage of the value chain. They have the potential to help asset managers identify new sources of alpha, cut costs and deliver better value for money, enhance the client journey and cater more closely to clients' preferences, and improve operational efficiency. Automation and blockchain are bringing about a revolution in fund accounting, trading and settlements.

Two-thirds (65 per cent) of global asset management professionals expect partial or full disruption of their existing business models over the next decade due to AI, according to a 2018 survey by **KPMG** and **CREATE-Research**[2].

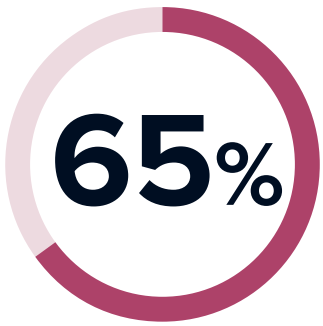
Digitisation has become so critical that the majority (81 per cent) of asset management CEOs told KPMG they were personally overseeing their firm's technology strategy[3].

As a result, data scientists are becoming the new 'stars' of finance. Asset managers are either building up centralised teams, as with **Schroders'** Data Science Unit[4], or they are embedding data scientists into specific teams and functions. Other firms have taken a hybrid approach including **AllianceBernstein**, which has a centralised team as well as embedded data scientists who focus on projects specific to particular business units[5].

Intense demand for data scientists extends far beyond financial services, meaning that investment firms are competing with a host of other sectors for talent. "The demand for doctorate-level data scientists far exceeds universities' ability to train them, and this supply-demand imbalance shows no signs of abating. As a result, our bottom-up analysis of data-driven companies across industries will include a rigorous assessment of that company's recruitment and retention of data scientists," wrote **Daniel Hill,** a Chicago-based Global Financials Analyst at **William Blair,** in a February 2019 blog: '*The battle for data talent*'.

Attracting digital experts is only the first piece of the puzzle. These individuals may seek alternative opportunities if they perceive that their entrepreneurialism is stifled by inflexible budgets, committees take six months to sign anything off, and colleagues are resistant to change. Generally speaking, asset managers recognise the need to hire people from outside the industry, but they need to put steps in place to minimise culture shock and to enable new employees to be effective. Innovators also require the psychological safety to experiment and sometimes to fail.

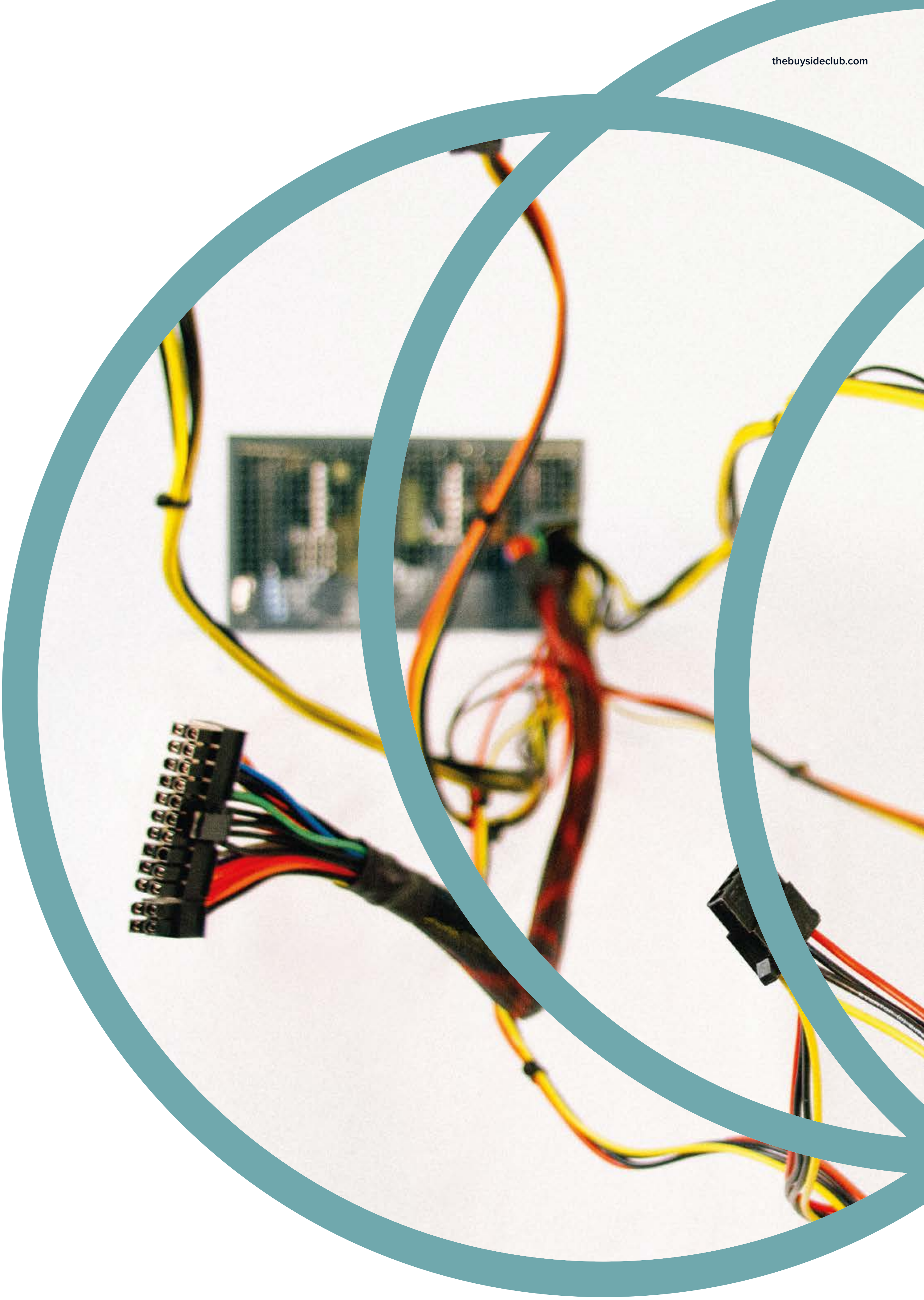
Another challenge is ensuring that the data scientists provide actionable insights that their colleagues in other areas can interpret and implement. "In our experience, many analysts and portfolio managers are unclear on the role data scientists should play," **Oliver Wyman and Morgan Stanley observed** in 2018. As a historic example, **Point72 Asset Management**'s data and quantitative modelling team, Aperio, initially struggled to explain its work to the firm's portfolio managers and produce results they could actually use. As a result, Managing Director and Head of Proprietary Research, Kirk McKeown, started research group, Point of the Spear, in 2016 as a kind of translation service, to help Point72's portfolio managers understand and work with the firm's data teams[6].



of global asset management professionals expect partial or full disruption of their existing business models over the next decade due to AI

KPMG & CREATE-RESEARCH: 2019 Global Asset Management CEO Outlook

2. Alternative Investments 3.0: digitise or jeopardise. 3. 2019 Global Asset Management CEO Outlook: the need for ability and decisiveness. 4. As another example, in 2018 BlackRock established an AI research lab in Palo Alto, California and a data science core unit as part of its Tech 2020 plan, hiring Sherry Marcus and Rachel Schutt to lead the data science team. 5. AB blog: Cracking the Code: Investment Management Tackles Data Science. 6. Point72 revamps big data group with new boss after early stumble, Bloomberg Quint, 5 March 2018



Distribution 2.0

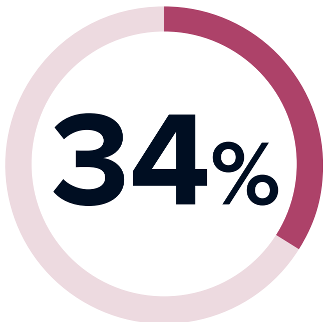
Failure to embrace distribution technology and keep pace with changing buyer needs has caused a huge decline in the productivity of sales teams, Casey Quirk argued in its 2019 paper, *'Distribution 2.0: How technology will redefine relationships with asset management clients'*.
Asset management firms increased their sales and marketing headcount by 50 per cent between 2012 and 2017[7] but the average efficiency of each newly-hired sales professional, measured in terms of profitability, dropped by more than half. This is a material conundrum for investment firms, given that remuneration for sales and distribution personnel accounts to about 20-30 per cent of pay-related costs[8].

Retail and institutional clients now seek more continuous, less transactional, relationships with investment firms.
Three quarters (75 per cent) of asset owners are looking for more service customisation, while 76 per cent said client experience was a factor in their decision to terminate a manager or managers[9]. Delivering that customisation requires technology; 34 per cent of distribution leaders described technology investments as their top priority, according to Casey Quirk.

Asset managers globally allocated a median of 6.5 per cent of their distribution budgets to technology in 2017, spending $2.2 billion in aggregate. The report points to a direct correlation between the productivity of distribution teams and tech spending. Gross sales productivity growth per salesperson rose by 28 per cent at firms that made above average investments in client data, analytics and data scientists, as well as client experience applications.
Put another way, the top-third of tech spenders grew twice as fast as the overall industry by net inflows during the three years to 2017.

Investment in technology is only half of the picture and must be coupled with an effective talent strategy. Asset managers need to hire and develop distribution professionals who are tech-savvy, who focus on the client experience, who are well versed in change management, and who possess sufficient investment knowledge to act as quasi product specialists. Digital teams will also need data scientists and digital marketers. Distribution COOs are becoming more commonplace among asset managers, Casey Quirk observed.

Different client-facing functions need to work together more holistically. Walls between sales, service, marketing, and support professionals need to come down, Casey Quirk advised. By way of example, **AXA Investment Managers – Real Assets** set up a new Business Development department in January 2018, bring together the Client Capital Group, Research and Strategy, Marketing and Communication and Product Development teams under Florence Dard. Other firms are organising cross-functional teams according to specific client needs, rather than by legacy channels; for instance, large institutional clients and large gatekeepers have more common needs than large and small institutional investors.



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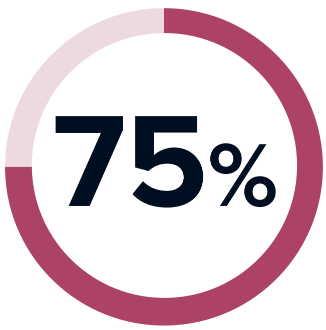


of asset owners are looking for more service customisation

7. Distribution 2.0 - How technology will redefine relationships with asset management clients
8. FTfm: Asset management: how safe is your job? 9 November 2019
9. Distribution 2.0 How technology will redefine relationships with asset management clients

Bloodless mergers

M&A activity has redrawn the lines of the global asset management industry in recent years. The 2017 mega mergers of **Aberdeen Standard Investments**, **Amundi Pioneer** and **Janus Henderson** are still bedding in. This year has seen **Federated Investors** buy **Hermes Investment Management** and **Liontrust Asset Management** absorb **Neptune Investment Management**; additionally, **Mercer**'s parent **Marsh & McLennan** completed its acquisition of **Jardine Lloyd Thompson.**

The rationale driving M&A activity remains as relevant as ever today: access to new distribution markets, investment expertise and critical skill sets, coupled with the opportunity to achieve efficiencies and cut costs. Organisations are pooling resources to invest in technology and compliance, and to better weather the storms of fee pressure and mounting regulation. Indeed, **PwC** expects price competition, digital innovation and a renewed focus on investment performance to spark further consolidation, wiping out 20 per cent of asset and wealth managers through acquisitions or closures[10].

However, mergers have well-publicised drawbacks too. The upheaval they create can cause employees, clients and investors to head for the exit, resulting in share price falls, outflows, an exodus of talent and, potentially, a slump in performance.

Cognisant of this, investment leaders are turning to new forms of partnerships such as joint ventures, alliances, and private equity style investments. Large firms have broadened their tech resources by taking stakes in fintechs; for instance, **Franklin Templeton** acquired a material stake in savings consolidator **Embark Group** in November 2019, whose long-term investors include BlackRock and Legg Mason.

Almost a third of asset and wealth management CEOs said they expect to merge with another firm in the coming 12 months

PwC described these partnerships as “agile M&A” in its 2019 Annual Global CEO Survey[11]. Almost a third (29 per cent) of asset and wealth management CEOs said they expect to merge with another firm in the coming 12 months, but significantly more (41 per cent) are seeking strategic alliances or joint ventures (JVs).

Emerging markets are likely to be a focus for JVs as global firms seek to tap into local knowledge. Just under two thirds (63 per cent) of asset management CEOs view emerging markets as their biggest priority for geographic expansion in the next three years[13]. More than half are focusing on regions within China’s Belt and Road Initiative.

Some objectives are too colossal for one firm to tackle alone, such as improving financial education, or attracting diverse talent into our industry. Working groups and alliances such as the **Diversity Project** or the **Investment Leaders Group** (part of the **Cambridge Institute for Sustainability Leadership**) enable businesses to pool resources and share best practice.

10. Asset & Wealth Management Revolution - Pressure on profitability
11. AWM Trends 2019, part of PwC’s 22nd Annual Global CEO Survey
12. 2019 Global Asset Management CEO Outlook: the need for ability and decisiveness

The solutions evolution

There is a growing distinction between product alpha (investment returns) and solutions alpha (meeting clients' specific needs)

Historically, asset managers have added value by beating benchmarks, uncovering new sources of alpha and delivering innovative products. Managers now need to demonstrate that they can add value through advice and by building bespoke solutions that meet clients' needs and liabilities. Recognising this, **Boston Consulting Group** identified 'solutions providers' as one of four business models it expects to thrive (the others being alpha generator, beta factory and distribution powerhouse.) With the emergence of more strategic partnerships, many solutions offerings hinge upon alliances with best-of-breed alpha generators.

The move towards solutions is not a new trend, but it is expected to gather pace. "Demand for solutions alpha is set to grow exponentially, as stock picking has struggled in this decade," wrote Prof. **Amin Rajan** in '*Future 2024: future-proofing your asset allocation in the age of mega trends*'. "For asset managers, this will be a game changer."

"What will differentiate successful firms from also-rans, going forward, will be the ability to add value through quality advice and holistic portfolio solutions," Oliver Wyman advised in a 2015 paper, '*The evolution of the mandate: the solutions revolution*'. "For many asset managers, this trend requires a rethink of their business models. More importantly, it entails a change in mindset, from adding value with products to adding value through individualized advice and customized portfolio solutions."

Managers now need to demonstrate that they can add value through advice and by building bespoke solutions that meet clients' needs and liabilities

Many institutional investors are resource-constrained and want to reduce the number of relationships they have with fund managers. As a consequence, asset managers are growing the number of strategies they manage so as to become more of a 'one-stop-shop' for clients.

As investment consultants and asset managers build their resources to deliver more comprehensive solutions, hiring priorities include multi-asset portfolio construction, asset allocation, manager selection and monitoring, and implementation. There is a particularly pressing demand for technical individuals who can have a robust and broad debate with the client and deliver technical input to portfolios.

Fiduciary management is evidently one type of holistic solution, where the outcome is specifically linked to a pension scheme's liabilities and funding status, and where the investment strategy encompasses a growth and a matching portfolio. The fiduciary management market is expected to open up over the next five years as some 500 DB pension schemes are obliged to competitively re-tender their mandates following the Competition and Markets Authority's review of the sector and subsequent recommendations. Asset managers offering fiduciary services include **BlackRock**, **BMO Global Asset Management**, **Legal & General Investment Management**, **Russell Investments**, **SEI** and **Schroders**. Other firms have built out solutions capabilities but held back from the full fiduciary route. They include **Aberdeen Standard Investments**, **Aviva Investors** and **Invesco**.

Solutions and fiduciary management teams tend to adopt one of two business models: they either function as coordinators, pulling resources in from elsewhere in the organisation as and when necessary; or as standalone, self-reliant units, which require a much greater commitment in terms of staffing and resources.

Sustainability as part of the employer brand

The majority of asset managers are building or expanding their ESG credentials, resulting in a high volume of recruitment. However, in a world where every organisation's website claims that sustainability is a priority, potential candidates are becoming sceptical and are especially wary of greenwashing, asking probing questions about potential employers' commitment to sustainability.

One litmus test is how far ESG analysis is embedded into the investment process, across all strategies:

- At **BNP Paribas Asset Management,** every investment team has been tasked with developing its own strategy-specific approach to ESG, encapsulating the investment philosophy, research and idea generation, portfolio construction, risk management, engagement, voting, disclosure and reporting. These strategies are being vetted by an ESG Validation Committee of senior managers, with the aim of all processes being approved by 2020.
- **Schroders** is integrating ESG across all its investment strategies and hired PwC's Stephanie Chang in February 2019 as ESG Integration Manager (a newly-created role reporting to Head of Sustainable Research, Andrew Howard). The firm's Sustainability Accreditation was launched in 2017 and currently covers over half of its assets, categorising them as 'screened', 'integrated', 'sustainable' or 'impact'. Schroders intends to extend the accreditation to all of its funds by the end of 2020.

  To be eligible, investment teams must produce a paper explaining the role that ESG plays in their investment philosophy and practice, with ample evidence that their ESG analysis is systematic and rigorous, and case studies showing the impact their ESG work has had on their portfolios.

Potential candidates need to be convinced that ESG is a central priority for hiring firms' leadership

Another sign of an organisation's commitment is the size of its team and extent of resources. However, some firms have achieved a huge amount with a small central team, backed up ESG champions throughout the business. Essentially, team size depends upon which of the following models firms adopt and the extent to which sustainability is part of everybody's day job:

- a central team of ESG experts (such as **BNP Paribas Asset Management**'s Sustainability Centre).
- a devolved effort with ESG champions throughout the business (**First State Investments** has a range of ESG committees, spanning business development and HR as well as investing, bringing c. 50 people into the sustainability effort).
- a hybrid approach with a central team providing research, then embedded ESG experts sitting on specific investment desks (as at **AXA Investment Managers**).
- the entire firm is oriented around sustainable investing (e.g. **Impax Asset Management**).

Further indications that firms take ESG seriously include:

- The organisation has an overarching ESG strategy; coordination between corporate social responsibility initiatives and investment activities; ESG extends beyond the investment desks and is woven into the organisation's culture.
- The Head of ESG or Sustainability reports directly to the CEO (some firms have an ESG representative on their boards).
- ESG KPIs hold investment professionals to account for ESG integration.
- Long track record in responsible investing (before ESG became 'fashionable').
- Impact investment strategies are launched, seeking to have a positive, measurable impact on the environment and society.
- Measuring and reporting on the progress of investment portfolios towards the UN Sustainable Development Goals, e.g. tracking the carbon footprint.
- Additional attempts to achieve positive change e.g. through charitable activities (Candriam donates 10 per cent of the fees from its ethical funds to social projects and academic research).
- A robust stewardship and engagement process; and
- Participation in external initiatives, be they academic groups, multi-firm alliances or advisory committees to governments and regulators.

Thematic investing and megatrends

Climate change and other themes that fit under the ESG umbrella (e.g. water scarcity, gender diversity) transcend sector boundaries. Another megatrend, artificial intelligence, has permeated all products and sectors to the extent that some companies such as Tesla now straddle multiple sectors, while others are being reclassified, causing valuation issues. The fourth industrial revolution is resulting in dramatic and rapid changes in the way we work, live, eat, use appliances, and interact with each other and the natural world. Innovation is blowing sector characterisations out of the water. The most cutting-edge technology does not necessarily reside within the tech sector and can instead be found in climate science, stem cell research and other industries.

"Asset allocation will become increasingly complex as the physical and digital worlds converge. Investors need to rethink the value of a company, its sector classification and environmental footprint," according to **CREATE-Research's** *Future 2024 report.*

Several asset managers have responded by rethinking the way they organise their teams of research analysts and design investment products. **AXA Framlington** reconfigured its internal research capabilities in February 2018 to follow five multi-decade themes that stem from long-term demographic trends and technological developments. Its 'Evolving Economy' approach focuses on automation, the connected consumer, ageing and lifestyle, cleantech, and transitioning societies. Analysts and portfolio managers are no longer siloed by sectors, but now work in a more agile way, with specialists collaborating on themes that span their different areas of expertise.

Franklin Templeton is seeking to tap into these megatrends by launching the *Franklin Innovation Fund* in November 2019. "Innovation is often mispriced – it is adopted faster than expected and frequently has long-lasting effects," said Portfolio Manager Matthew Moberg. "We are experiencing a new industrial revolution in which disruptive technologies, innovative processes and new modes of communication are proliferating."

Natixis Investment Managers launched **Thematics Asset Management** in March 2019 with a team from **Pictet Asset Management.** The new affiliate is centred upon four major themes that are transforming the world: demographic changes, globalisation, innovation and scarcity. Its three inaugural investment strategies focus on Water, Safety, and Artificial Intelligence & Robotics.

Another firm looking at megatrends is **Allianz Global Investors,** which highlighted thematic investing as one of its five focus areas for 2020. "Thematic investments can help investors align their money with their convictions about how powerful long-term shifts – sometimes triggered by innovation or regulation – might provide not just investment opportunities, but new economic growth," the firm stated. "This helps investors effectively capture disruptive companies and trends that could become tomorrow's market leaders – and helps them pursue alpha in excess of market returns." AllianzGI suggested pet and animal welfare as a theme that touches many industries from financials (pet insurance) to consumer staples. Annual revenue for the global pet industry is projected to grow from $132 billion in 2016 to $203 billion in 2025.

Asset allocation will become increasingly complex as the physical and digital worlds converge. Investors need to rethink the value of a company, its sector classification and environmental footprint

CREATE-Research's Future 2024 report

Harder to hire

Investment firms are finding it increasingly difficult to attract talent. More than half (55 per cent) of the asset and wealth management CEOs responding to PwC's 2019 Annual Global CEO Survey survey stated that it is becoming more difficult to hire people.

Why is this? From our experience working with a broad range of organisations in the investment and savings industry, we have observed the following factors:

- As financial services firms seek to add data scientists and other digital skill sets, they are running into direct competition with tech firms for talent.
- The fund management industry needs to better articulate the value it adds to society, and its dual role as responsible stewards of capital and guardians of people's savings.
- It can be hard for asset managers to differentiate themselves; a strong employer brand is more important than ever.
- Fees are coming down across a host of active and passive investment strategies, and profits with them, so asset managers are less able to dig into their now-much-shallower pockets to attract people. It is worth noting that feel pressure and salary constraints are being felt far less in private equity and real assets.
- The asset management industry is undergoing a period of upheaval and change. Where the strategy of a division or business is in flux, hiring managers are not always clear on the direction of travel and, ipso facto, the skill sets and resources they require to take their area forward.
- Businesses continue to hire reactively, rather than putting into place an effective long-term succession planning process which can save a huge amount of time and money.

The biggest challenges that Talent Acquisition professionals face are volume; budget and resources; and network

From the hundreds of conversations we've had with talent acquisition professionals in the investment sector, the biggest challenges they face are volume, budget and resources, and network. In the fast-paced world of Talent Acquisition, with a huge volume of roles that need to be filled urgently, it can be almost impossible to find time for strategic planning. Yet the absence of an overarching talent strategy can result in people decisions becoming divorced from the business' central goals, and can relegate the TA team to fighting fires instead of building a work-force that can execute its company's mission.

A raft of redundancies have been announced this year with several large managers making sweeping cuts across their global workforce. Back office roles in particular are at risk, as a result of automation. Redundancies on this scale should theoretically result in a pool of available talent and indeed, there are some highly-skilled people on the market, yet it goes without saying that the available population is not always a direct match for the skills businesses are most keen to introduce (such as technology and ESG expertise).

As teams are trimmed, the people left in situ are expected to do more. Roles and scopes are expanding. Sales people are becoming increasingly technical with a level of expertise akin to product specialists. Several firms are segmenting their sales-force by strategy, with specialists in alternatives or in fiduciary management, for instance.

In an environment where it is becoming tougher to hire externally, it becomes even more important to upskill the existing workforce. Teaching people how to code is one example of how asset managers are reorienting people's skill sets towards the changing dynamics within the industry at large and the future strategic needs of their own organisation. Employers surveyed for the World Economic Forum's 2018 *Future of Jobs Report* estimated that by 2022, 54 per cent of all employees would require significant reskilling and upskilling. We would argue that in the investment and savings industry, that percentage is even higher[13].

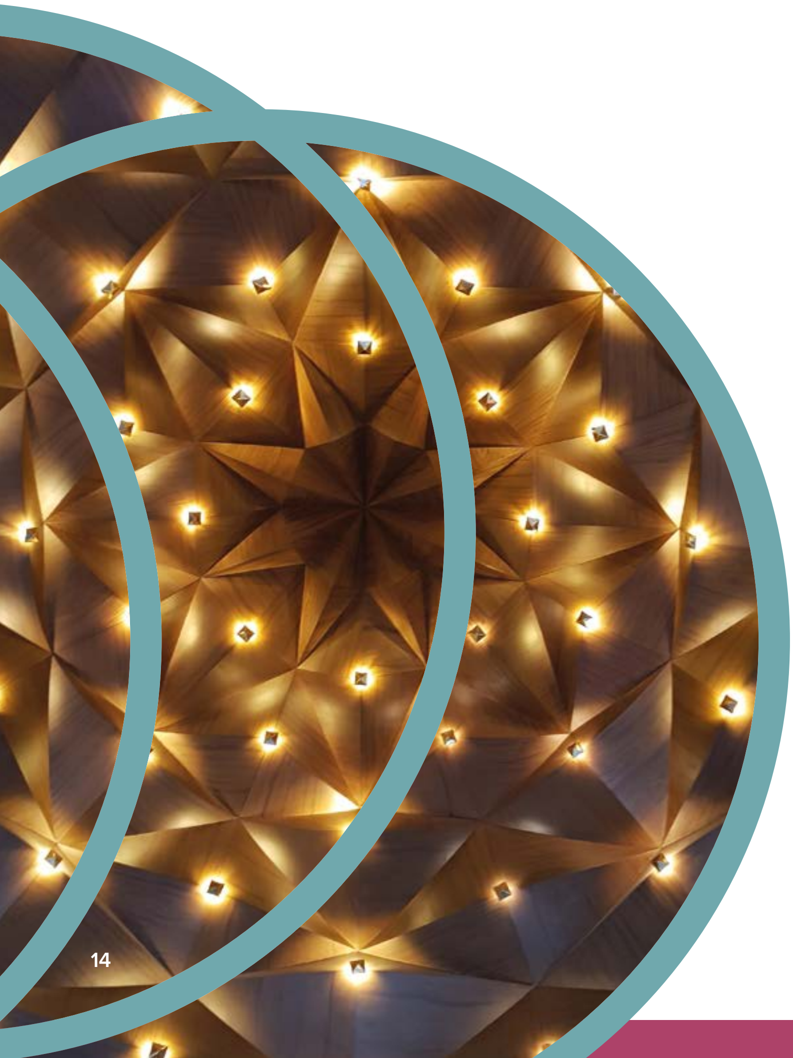
13. Employers told the WEF that about 35 per cent of their workers will require additional training lasting up to six months, 9 per cent will require reskilling lasting six to 12 months, while 10 per cent will require additional skills training of more than a year

When stars implode

The investment industry's emphasis on star managers has come under fire lately due to the collapse of Neil Woodford's eponymous boutique and the departures of several high-profile managers to establish their own businesses.

Institutional investors and their consultants have long preferred to invest with stable teams who follow repeatable processes and are less vulnerable to key person risk. However, many retail funds, their marketing machines, the advisers who recommend them, and end investors still cleave to the legend of a talented individual pitting his or her wits and skills against the vagaries of the market.

Star managers are a double-edged sword. They attract assets, press coverage, awards and fund ratings, yet when they move on, the impact can be catastrophic. Alexander Darwall's decision to establish **Devon Equity Management** cost **Jupiter Asset Management** £1.1 billion in third quarter 2019 outflows from the *European Growth fund* he led.



Individuals' track records are not always repeatable, as evidenced by the career of bond king Bill Gross. He co-founded **PIMCO** and built his flagship *Total Return Fund* to $293 billion at its peak in April 2013, yet he was ousted acrimoniously in 2014 and then underperformed at **Janus Henderson**, from which he retired in 2019.

The risk of a lead fund manager leaving, resulting in investor outflows, fund rating downgrades, and potentially other colleagues moving with them, can be mitigated by succession planning and by building out a team. If a fund manager leaves or retires but hands the reins over to a co-manager or managers with whom they have worked for many years, advisers and investors usually presume the investment process will continue untarnished. Indeed, the general trend in the investment industry is to move away from lone star managers towards constellations.

Having well-known lead managers who are incentivised to remain in post for a long time can hinder opportunities for junior fund managers and analysts, and make it harder for under-represented groups such as women to progress. A related problem is that the perceived value placed on an unbroken track record creates a hurdle for anyone taking a career break.

Running money as a team is not without its complications. For instance: should performance-related pay be linked to the team's performance and returns from their jointly-managed funds, or should it reflect each individual's contribution? Who has the final say for pulling the trigger and making decisions?

In the wake of MiFID II, as asset managers bring more research in house and compete for the best talent, the relative status of analysts and fund managers deserves attention. Some analysts seek a clear career path towards managing money. Others prefer to become career analysts and want pay and status equal to fund managers.

The debate about star managers is being waged against the backdrop of a seismic shift from active into passive management. Even Warren Buffett – arguably the best known and most successful star manager – is an outspoken proponent of passive investing. In his will, he has advised his wife to invest 90 per cent of the money he leaves to her in a cheap Vanguard S&P 500 tracker.

Diversity and Inclusion: #Time2Deliver

Women now comprise 20 per cent of executive committees and 23 per cent of boards, according to **Oliver Wyman's Women in Financial Services 2020 report**. An increasing number of women are leading revenue-generating businesses, putting them in pole position to join the next generation of CEOs. However, only six per cent of CEOs and nine per cent of board chairs are women.

"This is the first time we can say that things are really changing," said Diony Lebot, Deputy CEO of **Société Générale.** "Yes, the progress in the numbers is too slow, but everyone is finally getting impatient."

Reflecting that impatience, The Diversity Project's #Time2Deliver event in October 2019 focused on galvanising energy and moving talk into action. **Sarah Dudney,** a Client Partner at The Buy-Side Club, interviewed several industry experts at this event for a vox pop on barriers to change. A key observation was that progress needs to be made at a more granular level. Although buy-in from the top is essential, real change will be made by hiring managers and team leaders. Recommendations to bring about this change include:

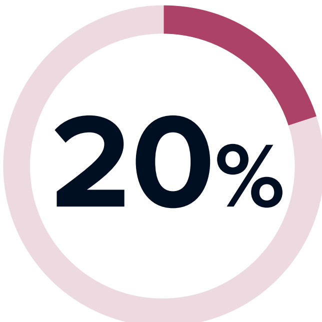
- Weaving D&I objectives into middle managers' performance-related pay.
- Talent Acquisition having conversations with managers in advance of any hiring needs about the gaps within their teams.
- Talent Acquisition partnering with managers to identify and develop high potential women and people of colour.
- Neutral job descriptions.
- Diverse shortlists for all roles.
- Interview coaching for hiring managers to remove biases.

> *This is the first time we can say that things are really changing. Yes, the progress in the numbers is too slow, but everyone is finally getting impatient*
>
> Diony Lebot, Deputy CEO of Société Générale

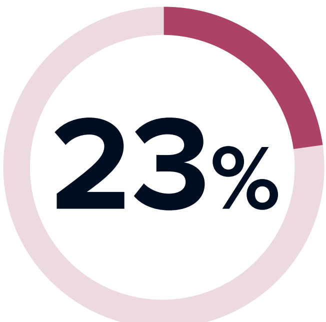
The first step for any hiring manager is to understand the full universe of talent in their sphere. Some areas of expertise are less diverse than others, for instance, technology and operations have a higher proportion of men, especially at senior levels. Improving an organisation's gender diversity requires hiring managers to think outside the box to consider which women in other teams within their firms have transferrable skills, as well as looking at women outside the firm and even in other industries. This would have the added benefit of retaining talented, ambitious people through career mobility and development opportunities.

Hiring managers often take a 'cookie cutter' approach to filling a role, especially if the situation is urgent, reducing the perceived risk of a hire by finding a direct replacement who closely resembles the previous incumbent. This approach risks missing out on the innovation that a new approach and different perspective can bring.

Proactive succession planning to map out and understand the universe in advance of a hiring need arising provides the breathing space that team leaders need to contemplate new approaches. Having informal conversations with people who have transferable skills and might be a good future fit for the organisation will showcase what people with diverse experiences could bring to the table.



of executive committee members are women



of board members are women according to Oliver Wyman's Women in Financial Services 2020 report

We provide unlimited and flexible support to help our clients transform their talent and business strategy. Our clients benefit from high-quality information and data on talent, competitors and the industry, at an affordable price.

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