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Seismic Shift in Leadership Skills Underway

The asset and wealth management industry is going through one of its largest upheavals in several decades as firms rotate their skill requirements for leadership to tackle unprecedented challenges. Firms are seeking backgrounds in technology, finance, and quantitative analysis and processes across all functions and at every level, including the C-suite.

Assets continue to shift at a rapid pace out of traditional core, long-only, active products and into inexpensive, index-based beta products; complex solutions-based programs; and alternatives strategies^{1,2}. To excel in this environment, firms must rapidly develop or import more sophisticated technology tools, more disciplined finance and operations support infrastructure, and an upgraded end-to-end client experience with lower friction.^{3,4,5,6}

History

The asset and wealth management industry has had two prior major skills rotations. The first occurred with the passage of ERISA in 1974. The industry transitioned away from a focus on finance skills possessed by actuaries that underwrote GICs, bankers that managed deposit products, and corporate treasury managers, and instead began to emphasize research trained portfolio managers in the emerging investment firms. Senior leadership of the industry was dominated by these investment trained professionals for the next 20 years.

The second major skills rotation started about 15 years later with the popularity of mutual funds and the maturing of the pension market as a result of the influence of



consultants. Client-facing distribution skills became dominant, including sophisticated CMOs in mutual funds and commission-driven sales professionals across the entire industry. The C-suite leadership of many firms began to be dominated by these distribution professionals starting in the mid-1990s.

Third Rotation in Skills

We are in an early phase of the next substantial skills rotation, which is the result of the accelerating pace of change and transparency of the digital age. This current shift is toward technology, finance, and quantitative analysis and processes skills across all functions.⁷ A superior track record of business results using traditional functionally focused skills, such as research investment expertise, is now simply the table stakes to stay in the game. The manifestations of this trend are multifaceted.

- Asset managers, particularly hedge funds, are in search of new sources of alpha through significantly expanding their recruitment in technology, with an emphasis on quantitative sciences, big data, and artificial intelligence. Some firms are even creating new internal stand-alone research boutiques.^{8,9}
- Traditional investment teams are using quantitative techniques to manage and improve security selection and portfolio construction algorithms, to remove subconscious biases, as well as to augment research with non-financial big data and artificial intelligence capabilities.
- Firms are demanding that the CMO bring technology expertise and leadership skills to help develop more sophisticated martech stacks and data-driven sales enablement techniques that go far beyond the capabilities of today's CRM systems, moving into predictive analytics.¹⁰

- Technology is driving a significant upgrade in the infrastructure of businesses in almost every area, requiring firms to import skills from advanced technology companies. Examples include:
 - ◇ improving efficiency of core operations through robots,
 - ◇ speeding compliance with AI tools,
 - ◇ and enabling significant customization of interactions with clients to allow more sophisticated solutions-based strategies and significantly less friction in the end-to-end client experience.

Impact on Recruiting Demand

The impact of this skills rotation on recruiting demand is significant and complex. Most importantly, a generation of Baby Boomers who lacked the ambition, intellectual curiosity, and learning agility to reinvest in their personal skillsets are being left behind. There has been a pronounced increase in “out of industry” hires from STEM and quantitative fields, as well as the technology industry. Our recruiting work with fintech clients has increased dramatically, from one search a year a decade ago, to over one-third of our work today. This swing is reminiscent of the race for digital talent in the dot.com era of the late 1990s, but this time with a much more realistic set of underlying financial expectations and business methodologies.

Almost universally, companies are demanding that every executive have significant aptitude with technology, strong finance skills, and an ability to use quantitative processes across all elements of business management and leadership. As a result, firms are selecting executives with broader backgrounds, encompassing a wider range of educational qualifications to include STEM fields, and with employment histories that include diversifying career rotation posts. Unfortunately, Baby Boomer and Gen X executives who have followed a career path of specialization, which for many years



was rewarded through faster promotions, are today often disadvantaged by these earlier career choices.

Summary

The multidimensional skills being demanded by new challenges in the markets are requiring firms to work harder on recruiting, invest more in executive level training and development, and take greater risk in hiring and promotions. Sourcing this more diverse skill base is a complex challenge, embedded within the larger strategic demands of a shifting business landscape. Firms need to recognize these skills-based challenges and plan for the additional time and budget that will be required.

Notes

1. Brent Beardsley, et al. "Global Asset Management 2017: The Innovator's Advantage," Boston Consulting Group, July 11, 2017, accessed June 8, 2019. http://image-src.bcg.com/Images/BCG-The-Innovators-Advantage-July-2017_tcm9-163905.pdf.
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3. "Investing for Growth: Performance Intelligence 2018," Casey Quirk by Deloitte and McLagan Partners, July 2018, accessed June 14, 2019, https://www.pionline.com/assets/docs/Performance_Intelligence_2018.pdf.
4. Pedrag Dizdarevik, et al. "Analytics Power: The State of Advanced Analytics and Alternative Data in the Asset Management Industry," UBS and Element 22, November 7, 2018, accessed June 17, 2019, https://www.allnews.ch/sites/default/files/files/20181108_UBS_Element-22_Analytics_Power.pdf.
5. Sudeep Doshi, Ju-Hon Kwek, and Joseph Lai, "Advanced Analytics in Asset Management: Beyond the Buzz," McKinsey & Co., March 2019, accessed June 17, 2019. <https://www.mckinsey.com/industries/financial-services/our-insights/advanced-analytics-in-asset-management-beyond-the-buzz>.
6. "Ready. Set. Grow. The 2019 Readiness Report," FIS, June 12, 2019, accessed June 14, 2019, <https://www.fisglobal.com/fis-readiness-report>.
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8. "T. Rowe Price Opens Technology Development Center in New York as a Part of Global Technology Transformation," T. Rowe Price Group, April 5, 2017, accessed June 18, 2019, <https://www.troweprice.com/corporate/en/press/t--rowe-price-opens-technology-development-center-in-new-york-as.html>.
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