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The Way Asset Managers Worked Before the Pandemic Is Over

"The firms that don't allow greater workplace flexibility are really going to have a challenge on their hands," said executive recruiter George Wilbanks.

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Asset managers need to rethink the way they hire, manage, and keep the best people — and fast. Industry executives agree that the pandemic has fundamentally changed the way people want to work and managers need to take those changes seriously and invest in training and support services to make it all function.

On Thursday, Deloitte provided some evidence for the big post-pandemic shift.

The so-called workplace talent model will continue to change next year, according to Deloitte's 2022 investment management outlook report released Thursday. Based on a survey of 400 senior investment management executives from July to August of this year, the consulting firm expects that asset managers will invest what's needed and strengthen their talent organizations. That includes everything from work-from-home policies, comprehensive training, and infrastructure; diversity equity and inclusion; and strategies to communicate a sense of purpose to employees, among other things.

The industry has the resources to invest in people. Despite Covid-19 pandemic-related volatility, the asset management space has fared well: private capital — including private equity, private credit, infrastructure, and real estate — returned 15.5 percent in 2020, and, according to the report, is likely to continue its growth in assets under management into 2022. Firms also have more opportunities than ever before, the report said. Industry trends like cryptocurrency, digitalization, and mergers and acquisitions are expected to continue into 2022 and fuel more opportunities for top people.

"As we head into 2022, the opportunity set has never been higher for the industry," Krissy Davis, Deloitte's U.S. investment management practice leader, told *Institutional Investor*.

Despite well publicized headwinds, such as the growth of passive, the future looks bright right now.

"We're in a growth period in the industry," George Wilbanks, a former asset and wealth management partner at Russell Reynolds Associates, who founded his own firm, executive recruiter Wilbanks Partners. Wilbanks added that increased demand for people can kick off more turnover at individual firms as employees switch jobs for higher compensation.

But, first, firms need to address the future of work and where they stand. For instance, three-fourths of survey respondents indicated their firm is likely to adopt a majority-back-to-office plan or a "highly-flexible" workplace strategy. Of the respondents at firms with a definite back-to-work plan, 38 percent of residents said their firm's culture has become stronger over the past year. Conversely, of the respondents at firms with a "wait-and-see" or hybrid workforce mode, only 25 percent of respondents indicated their firm has come out of the pandemic with a stronger culture.

"Regardless of whether the firm is choosing to go back to the office for five days or three days or fully remote, what employees want is clarity and transparency," Davis said. "People really just want to know where they stand, if they need to be in the office or not."

In order to retain and attract investment management talent, firms will need to adapt to the current environment, said Wilbanks.

"The cat's out of the bag, and firms have to respond to it," Wilbanks told *II*. "The firms that don't [allow greater workplace flexibility] are really going to have a challenge on their hands."

Davis said developments in trends like environmental, social, and corporate governance may also attract a lot of talented people into investment management, who are motivated by climate activism and other social justice goals. According to the survey, 62 percent of respondents strongly agreed or agreed that their institution's workforce is strongly aligned with its sense of purpose. But the communication of that purpose may not be so robust. In fact, only 36 percent of respondents said their understanding of their institution's larger vision had improved from the start of the pandemic. While firms may have tailored their impact goals in the past year, they are not reaching their employees.

"To remove this uncertainty, firms may rethink their vision and allow all their employees to become co-creators of the firm's purpose," the report said. "By giving their employees a voice, a collaborative relationship with workers that is sustainable and possibly even a differentiator may take hold."

"There's a real opportunity here for investment management firms to have a real impact, not only on the financial services industry more broadly," Davis said. "If they get that right, that [purpose-driven mission] would make this industry all the more attractive to young professionals."

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