

# Asset Management CEOs: Our Industry Is Seizing the Future

As the pandemic grinds on, asset management leaders are looking up from the immediate crisis and beginning to plot the course forward. Egon Zehnder and CFA Institute, in their periodic check-in with industry leaders, gathered 15 CEOs of asset management firms for a substantive discussion about how they are charting the path forward given the changing environment. Their message: Asset management is seizing this moment in time to shape its future.

“A crisis is a catalyst for making tough decisions,” said one leader. Everything from the way the industry manages talent to the very core of its value in the financial services ecosystem is up for scrutiny and improvement. Crisis provides opportunity to change, leaders said.

With the world shifting from panic into looking ahead, leaders say now is the time for asset management firms to focus on five critical issues for the industry.

## **Strengthen the case for active management**

With so many in financial turmoil, now is the time for asset management to make its case, leaders said.

“We have to make the most of being active managers -- move portfolios to the areas that in short term will do better whereas an index has to stick to its knitting. The ability to outperform and add value will be key now. We cannot miss this opportunity,” said one leader.

“We need to be relevant at this point – people need advice,” another agreed. “The cycles we have been in are not normal. The last 10 years are unlikely to be repeated. We have had a declining rate environment, no inflation in spite of stimulus. An active strategy and interface with clients will prove we can add value,” he said.

In many ways, the pandemic is the true stress test for active management, CEOs said. If active managers do not seize the opportunity to perform now, then there will be even further pressure on fees and costs and a decline over all in the reputation of active management. Now is the time to communicate value, they said.

### **Accelerate the transformation of the client experience**

The client engagement process has lagged the overall transformation of the asset management industry, said one CEO. The current crisis is a chance to look at the models that asset managers use to interact with their clients, and to adapt both products and engagement tools to be more attuned with expectations and preferences.

This is particularly true of the use of data and technology – especially in the institutional space, since retail distribution has already experienced its own evolution. Fortunately, one CEO said, “the crisis has accelerated conversations around data and technology by a factor of 10 years.”

In a world where travel may not return to its previous levels in the medium term, if ever, the long-held view that being in front of the client in person is a demonstration of commitment will have to evolve as well.

### **Embrace the work-from-home trend**

Now that offices have emptied and thousands of workers are set up from home, asset management firms must evaluate the pros and the cons that have emerged from this shift and begin to understand what the workplace of the future can – and should – look like.

Despite the stress of the initial relocation, the new out-of-office set up may open important doors for the industry.

“Investment people are good, if not better, working from home. A substantial group like working from home where they can be intensely focused,” said one CEO. Lower costs, with travel dollars vastly reduced, will be a plus. Return to the office en masse may never happen. “A hybrid model will emerge.”

Even when the worst of the virus is tamed, people may not want to return to old work structures, another noted. “There will be reticence to living in mega cities, less willingness or ability to relocate. People will want to work from where they feel comfortable.” That will create new challenges, added another CEO. “On boarding that talent will be trickier. It’s hard to feel culture virtually.” After spending decades investing in in-house cultures that give them differentiation, those firms are now thinking about how to preserve that culture over the longer term if more employees work from home.

### **Adjust talent priorities**

Work-from-home discussions are not the only talent issues percolating. This crisis also offers an opportunity for firms to make bold talent moves – choices that might have seemed too aggressive in milder times. “In this environment, talent becomes clearer. I feel I can identify it better. Some of the status quos become more malleable. I can make ‘risky’ decisions now because the baseline has moved up,” said one CEO.

Said another leader: “It’s an occasion for tough decisions.” The crisis allows for shifting timelines on staffing changes, he said. The company can be more agile. A hiring freeze can be selective, allowing for hires where they are most needed. “It’s a time for fine-tuning the organization,” he added, “an opportunity to become more nimble, more efficient.”

### **Consider the societal context**

Even as bold action is considered, CEOs cautioned that decisions made now will be scrutinized later. The spotlight is on us as an industry, they noted. How we conduct ourselves may help the industry change its perception and become viewed as a force for good. How we allocate capital, for example, to support mid-cap or small-

cap companies in the private markets could save jobs and livelihoods, one CEO mentioned, particularly as the current crisis widens the gaps between haves and have-nots.

To that end, watch for ESG (Environmental, Social, and Governance) to strengthen its position as an important industry yardstick. “Crisis accelerates ESG to become more mainstream,” said one leader. People have remained very keen on sustainability. Its importance hasn’t waned despite market conditions.

Similarly, macro trends loom over the economy and markets. “The debt overhang will continue to haunt us. The pension promise is under question. Structural changes are afoot. We have our role to play in this context,” remarked one CEO. Seen from the opposite angle, “we need to manage the fact that asset management could be viewed negatively as societal divides grow.”

“We have an obligation that ESG will frame – for instance, how did you treat your staff?” added another.

### **Leading from the front**

The asset management industry continues to be in the spotlight. However, it is not alone and does not function in isolation. The industry exists within a larger ecosystem consisting of multiple stakeholder groups across clients, consumers, regulators, and employees to name a few. The opportunity is here for the industry to step forward and lead by example, playing a visible leadership role through this unprecedented crisis. To achieve this, leaders are focusing now more than ever on delivering performance, seeking out productivity gains through embracing trends, elevating talent management, and reframing the broader ethical context. Now is not the time to hunker down and wait out the storm. “The crisis will propel the industry forward,” said one leader.

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### **Covid-19 Micro-Website**

We have launched a micro-website where this and other informative pieces are posted. This site will be regularly updated: [click here](#) for further details.

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