Navigating Organizational Transformation in Asset Management

Managing evolving business models, technology, and executive talent

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PREFACE

The asset management industry is undergoing significant transformation.

The widespread adoption of digital technology, the return of interest rates to historical norms, and profound shifts in retail investor attitudes and preferences all actively drive this change.

As a result of these evolutions, the types of investments offered to clients, as well as business models, product offerings and, most significantly, investment industry executive talent requirements, are rapidly transforming to accommodate this evolution in the industry.

In this article, the first article in our asset management series, we examine:

- Challenges and opportunities offered by the changing investment landscape
- Talent implications for organizations
- Strategies for managing significant organizational changes

As with all Massey Henry thought leadership, this work is independent, reflects our own views, and has not been commissioned by any business, government, or other institution.

Massey Henry is a leading Canadian executive search and advisory firm, offering solutions to today's complex executive recruitment challenges, with a focus on the financial services sector.

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FROM OUR NETWORK



From the integration of cutting-edge technology tools and the ever-increasing importance of data and insights, to emerging AI applications paired with evolving client demands, the ongoing transformations within wealth and asset management carry profound implications. From my own industry experience, and reflected in my experiences with Massey Henry, it is clear that organizations will need to enhance the assessment and development of talent competencies, with a new challenge placed on internal development to navigate these dynamic changes.

Jean-François (J-F) Courville

President and Chief Client Officer Purpose Unlimited





CHALLENGES AND OPPORTUNITIES

While the shifting landscape offers promising opportunities, it also presents challenges for the industry, including:

- Dealing with growing technological dependency
- Achieving scale
- Managing investors' shifting expectations
- Democratizing asset class access
- Navigating a dynamic and volatile economic and geopolitical environment

Several meaningful market opportunities, however, are becoming available to asset managers and the wider investment industry.

Termed the "great wealth transfer" by journalists and financial experts, the most important opportunity is the

\$68T of investable assets

that will transfer from the baby boomer generation to their heirs and beneficiaries by 2030 (<u>Forbes, 2019</u>).

This capital migration will be a watershed event for the asset management industry. Industry players will seek scale, cost-effectiveness, and product breadth to exploit the unique market conditions.

Considering these market conditions, adapting talent requirements, and developing new practices for sourcing and training employees to account for this forthcoming change will be critical.

- CHALLENGES AND OPPORTUNITIES

The Changing Landscape for Investors

The investment industry will increasingly integrate technology, emphasizing digital communication and personalization to the retail investment community while delivering investment solutions across various asset classes. Public equity managers primarily focused on mutual funds and ETFs, are expected to face ongoing asset outflows in the face of fee and return performance provided by passive investment strategies.

In turn, private market investment managers face fundraising and exit pressures due to inflation and lower economic growth expectations. Similar to public equity managers, alternative asset managers must address capital outflows to safely yield investments in fixed-income vehicles in the near term.

Transformation or Consolidation

For many firms in the investment industry, the pressures of the changing marketplace, talent scarcity, new product offerings, and operational cost increases, will exceed their capacity to respond. Under such circumstances, leadership teams must consider whether talent and technology gaps can be mitigated through acquisitions or mergers, while other organizations may opt to divest their business in whole or in-part.

The rise in business consolidations in the property and causality and asset management industries, as well as amongst industry and independent brokerages, suggests this trend will continue.

Talent and Technology Adaptation

The investment industry must adapt its product offerings, operations, and business strategies to effectively leverage market forces and inter-generational asset flows.

Talent and technology will play central roles in successfully adapting to these new realities.

Talent and technology enablement are more closely linked than ever. All financial industry participants will require enhanced integration between three vital functional areas:



Information Technology (IT)



Human Resources (HR)



Business Operations

TALENT IMPLICATIONS

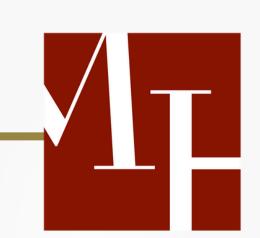
At this stage, there is no one-size-fits-all solution to tackling the complex and dynamic factors impacting the investment industry. It is essential for organizations to evaluate their competencies and experience profiles within the rapidly changing landscape of business models and technology.

A collaborative competency assessment and gap analysis conducted with HR, IT, and investment managers will enable organizations to prepare for changes to their talent profiles and organization-wide technology usage.

How can organizations manage these changes?

In many respects, it is a defining moment for the investment industry. To successfully manage the pace of change, leadership teams must revisit the traditional analytical framework – **People**, **Process**, and **Technology**.

This strategy requires going back to the basics to determine what talent is required and how talent should be sourced, compensated, and retrained.



Leadership teams should seek to define the talent strategy within their organization through a **structured process**:

- Engage IT, portfolio managers, and operations leaders, to ensure alignment and understanding around anticipated technology adoption, business model changes, product offerings, and competencies in the front, middle, and back offices.
- Determine and prioritize gaps in the current business model's people, process, and technology that require attention.
- Identify internal competencies and roles crucial for transforming the organization's business, and what can be sourced through external vendors and contractors.
- Prioritize initiatives to support internal roles, including workforce planning, targeted competence acquisition, tailored training and development programs, and detailed succession plans for mission-critical roles.
- Clarify and communicate the importance of collaborative work and ensure that a team-oriented mindset and desired behaviours cascade from leadership to all levels of the organization.

Communicating accountabilities to all stakeholders throughout the process is vital.

Underlying all these stages in the competency assessment and gap analysis is the need to **closely monitor progress** as the organization undergoes the process of evaluating and restructuring their talent strategy.

LOCKING AHEAD

What can we expect?

Given the significance of the changes within the investment industry, it is imperative to prioritize transformation initiatives, and closely monitor their progress.

Considering it is unlikely that the competitive landscape or regulatory environment will remain constant, plans for integrating talent, processes, and technology, must be strategically built, tactfully executed, and continuously adjusted for a persistently evolving marketplace.







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ABOUT MASSEY HENRY

Massey Henry is one of North America's leading executive search and board advisory firms focused exclusively on the financial services sector. With an experienced team of industry leaders and executive recruitment specialists, the firm combines innovative technology with sector expertise to provide clients with full-scope talent assessment, coaching, succession planning, and executive search services.

What makes us different?

Financial services clients are our only priority.

Unlike traditional search firms, we are not generalists. Whether corporate and commercial banking, insurance, asset management, or fintech, we are a specialized firm that understands the nuances within the financial services sector, allowing us to build a deep network of vetted candidates from coast to coast.

We have led executive searches across the spectrum of the financial services industry, including:

- Retail and Commercial Banking
- Insurance and Reinsurance
- Asset & Wealth Management
- Capital Markets
- Family Offices

- Credit Unions
- Private Equity
- Fintech
- Payments
- Corporate and Investment Banking

Some of the roles we have supported include:

- Board Chair and Directors
- Chief Executive Officer
- Chief Risk Officer
- Chief Product Officer
- Chief Human Resources Officer
- Chief Financial Officer
- Chief Compliance Officer

- Chief Client Experience Officer
- Chief Payments Officer
- Chief Investment Officer
- Chief Operating Officer
- Executive Vice President, Digital & Strategy
- Vice President, Cybersecurity
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