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# The Future Of Work In Asset Management

## Winning The Battle For Top Talent, Today & Beyond

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A SHEFFIELD HAWORTH **WHITE PAPER**



# Introduction



It's no secret that the millennial generation, those born between roughly 1980 and 2000, is rapidly changing how the asset management industry operates. It's not just their embrace of roboadvisors and other disruptive technologies but also their direct effect on the industry's workforce that is producing shockwaves. Asset management firms must now battle mightily to win millennials both as clients and as employees. In some cases, firms are winning. In most, they're losing out to startups, technology companies or more forward-thinking competitors.

Tapping into this new generation's creativity, ambition and sense of purpose is essential to the evolution and success of asset management. After all, millennials will make up the majority of the workforce within the next 10 years—and their money will power the global financial markets for decades to come.

This whitepaper provides a holistic view of how asset management firms can win the battle for millennial workers and leverage their skills for immediate impact while structuring their workplaces to accommodate all generations of employees.

# Understanding Today's Values

Are millennials really any different from their predecessors, generation X and the baby boomers? Think back a decade or two to the time when boomers regularly accused the Xers of being lazy and disaffected. Now, both generations look at their younger co-workers with similar suspicion.

Yes, some behaviours of millennials are simply a result of youth. As was the case with the Xers, time will change their priorities. Nevertheless, the asset management industry simply can't sit back and say, "Give it time. They'll come around." Firms need to adapt to today's realities. And, today, the priorities of the workforce are shifting dramatically.

PwC does impressive research and work around trends in the workforce each year. Their latest (2015) NextGen survey of millennial workers produced some notable insights:

- **Desire Personal Growth** – The benefit millennials want most is personal learning and development. Secondly, they want flexible schedules. Compensation? A distant third, despite how much crushing student loan debt they have.
- **They <3 Technology** – Millennials' passion for technology sets them apart – and possibly alienates them. Over 75% believe their techno-abilities make them more effective. However, it may be a source of generational rifts in the office.
- **Prioritize Rapid Progress** – According to survey respondents, rapid career progression is key, with 52% saying it was the top attraction for a job, ahead of a competitive salary (44%).

*Nevertheless...*

- **They Feel Cheated** – Employers are not keeping their promises of work/life balance and diversity. 28% of respondents said their work/life balance was worse than expected and over half said they did not feel opportunities were equal for all.
- **Experience Office Tensions** – PwC also reports that 38% of millennials believe management does not relate to younger workers, and 34% said their personal drive intimidated other generations in the office.
- **Have Little Or No Loyalty** – Some 72% feel they made a personal trade-off to get a job. This doesn't bode well for employers as the job market improves. Already, 38% of millennials are looking for a new job and 43% are open to offers.

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**4 Years**  
Avg. Length Of Employment

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**10 Different Jobs**  
By Age 50

SOURCE: US BUREAU OF LABOR STATISTICS

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## THE WORKFORCE IS CHANGING, SO TOO SHOULD THE INDUSTRY.

As mentioned, it won't be long before millennials make up the majority of the workforce. Dismissing or discounting the importance of their needs is a recipe for disaster for asset management firms.

The PwC NextGen survey shows that millennials simply want to be valued – don't we all? – but, unlike previous generations, that doesn't necessarily come in the form of compensation. The “value” younger workers want is to be appreciated and trusted by their employers. Above all, they want a sense of purpose – to feel that they are making a meaningful contribution.

EMPLOYEES BORN BEFORE 1980	MILLENNIALS
<b>“Transactional” Needs</b>	<b>“Social” Needs</b>
<ul style="list-style-type: none"><li>• Control over work</li></ul>	<ul style="list-style-type: none"><li>• Team cohesion</li></ul>
<ul style="list-style-type: none"><li>• Development opportunities</li></ul>	<ul style="list-style-type: none"><li>• Supervisor support + appreciation</li></ul>
<ul style="list-style-type: none"><li>• Pay satisfaction</li></ul>	<ul style="list-style-type: none"><li>• Flexibility</li></ul>

Source: PWC's Next Gen

But how can firms instill a sense of purpose? After all, isn't the industry's chief goal to make money?

## WINNING MILLENNIALS OVER

Is a parking app for your phone or dress-shirt delivery service changing the world? Absolutely not. Yet tech startups throw around platitudes about “changing the world” and “making a difference” constantly. That's because these companies, which are often run by millennials, understand that it's about culture and elevating what they do (even if what they do is not all that earth-shattering), for their customers and much more so for their employees.

# To Elevate The Work, A Firm Must Evolve Its Culture

Elevating the work is essential for asset management firms to win over millennials. To do this, a firm's culture must demonstrate that it values its workers (all of them) and their contributions.

A few thoughts on how to move a firm's culture forward:

## 1) FLEXIBILITY

The PwC NextGen survey found that millennials strongly favor flexible working schedules. In a global industry like asset management, fulfilling this request should be relatively easy, as client needs and market hours often extend well past the local “9 to 5” schedule. Allowing for shifting (but not shortening) of work schedules goes a long way towards helping employees find the work/life balance they desire. Schedule flexibility is also helpful to older workers managing family priorities and childcare.

## #1 Top Rated Trend Changing work environments and flexible work arrangements

SOURCE: “FUTURE OF JOBS”, WORLD ECONOMIC FORUM, JANUARY 2016

# The Future Of Work In Asset Management

## 2) ENVIRONMENT

According to the International Facility Management Association, about half of companies saw the number of employees working off-site increase substantially in 2015. “Working from home” is often not what you think. Most workers ask to “work from home” but actually seek off-site locations where there is more social activity, such as a coffee shop or shared work-site. Closed-off cubicles are also disappearing in favor of open workspaces with a variety of settings, such as large tables and workbenches. Some 58% of companies increased the number of people working in unassigned spaces or “hot desks” as well. While it may require facilities spending, this is a short-term cost that will have a long-term benefit for employees seeking a more social, collaborative work environment where work productivity and creativity soar.

## 3) BENEFITS

Millennials do not want a job where they are not growing personally and professionally. Building personal development into a firm’s benefit structure ensures millennials (and all workers) stay engaged. This can be as simple as paying for Lynda.com or Coursera courses or allowing employees to attend a few educational conferences each year. Having each employee create and carry out their own personal development agenda also empowers younger workers and gives them a sense of purpose.

### Helping Tackle Student Debt

As asset management firms know all too well, the biggest deterrent to younger workers saving and investing money is their huge student loan burdens, which average well into the tens of thousands of dollars. Consider offering student loan debt assistance as an option for employees. A number of firms have implemented such benefits in addition to lump sum bonus payments as a way to pay down debt and encourage retirement savings.

## 4) EMPOWERMENT

Today’s workers don’t want to feel like they’re just “another cog in the wheel” of a massive, soulless organisation. Asset managers must empower them to be more by giving them large or complex assignments and letting them take the reins. For example, a firm could leverage the technology savvy of its younger staff by empowering employees to create an internal taskforce or committees to identify potential disruptive technologies, research them thoroughly and then formulate and present strategies for the firm to assimilate, neutralize or counteract those technologies. Align Millennials’ work with their interests and harness their strengths to develop a more diverse and competitive workforce.

## 5) DIVERSITY

It is imperative that firms build an inclusive organisational culture that motivates and unites all generations – as well as genders, races, nationalities, etc. To do this, firms should consider conducting regular employee surveys to identify the preferred values and norms of different generations. The results should inform the policies that underpin the organisation’s culture, and be set as a benchmark for future results. Firms should seek to include rather than exclude employees with differing opinions and tastes. As the PwC NextGen study notes, more than half of millennials feel opportunities are unequal within their organisations. This has to change.



## The Bridgewater Manifesto

In 2011, Ray Dalio, founder of mega-hedge fund Bridgewater Associates, published his core principles – what has become known as Bridgewater’s “manifesto” – on the firm’s website. These principles are central to the firm’s recruiting, training and management philosophies. The manifesto is quite detailed, but Dalio’s principles boil down to practicing radical transparency and honesty at all times. The firm publishes all internal emails, records all meetings and clearly defines how employees should interact. Some of its employees are said to love that their voices are respected while others find this level of transparency and conflict grating (turnover remains high).

While Bridgewater’s culture is not every asset manager’s “cup of tea,” it’s an example of how one of the most successful managers in the business has managed to harness the ethos and values of millennials (and other generations of employees).

Ray’s Principles: You can read the manifesto for yourself [here](#).

**NOTE: Bridgewater is not a client of Sheffield Haworth and this is not an endorsement of the firm’s practices.**

## 6) COMMUNICATION

Millennials were raised in a constant feedback loop, which they expect to carry into the workplace. Regular meetings, reviews, progress reports, “check ins” and coaching are essential to keep them engaged. In the world of tech companies, this has given way to regular “scrums,” short, weekly huddles where a department or team democratically reviews tasks, goals, and metrics. Scrums also offer an excellent opportunity to publically recognize achievement. But don’t assume the only desired feedback is positive feedback – be honest and upfront about employee shortcomings and provide clear direction on how to improve. Consider moving to more frequent reviews as a way of keeping millennial workers abreast of their progress (or lack thereof). Some firms have staged quarterly, “mini-promotions” as milestones toward a specific goal to further emphasize how millennials need to calibrate their progress and professional growth.

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## Seeking Ownership

I recently helped a talented millennial make a big career move. He had the option to stay at his successful New York hedge fund, on a set path to success, or move across the country to run a small startup-like shop under the umbrella of an established competitor – but at a sizable pay cut. Unmarried and without the typical obligations of mortgage or kids, he took the cross-country job in a heartbeat knowing that, if successful, there would be longer term satisfaction in both his own professional career development and a shot at equity ownership. In other words, he jumped at the sense of mission he would have in building a small business with longer term upside. In today’s market, personal challenges, longer term upside and “sense of mission” can be more of an incentive than stability and short-term cash compensation.

# Accommodating All Generations of Workers

I included the quote from Dan Lyons’ book for a reason. Asset management firms should not assume they can mirror – or should somehow morph into – technology startups. For all the “changing the world” today’s startups do, these companies are often terrible examples of homogeneous groupthink. There are few women, fewer minorities and even fewer generation X and baby boomer workers at these companies. And their aspirations of radical transparency can often result in petty conflicts and high turnover, which isn’t necessarily a problem when hiring hordes of recent (read: cheap) graduates. Losing a seasoned portfolio manager, however, is a big deal.

Asset management is different and must remain that way with meaningful cultural evolution along the way. If millennials want to be taken seriously, they should not be surprised that asset management is a serious industry that doesn’t tolerate disrespectful behaviour from any cohort.

That’s why firms must be watchful for tensions between their generations of employees. Where technology is a potential source of conflict, adequate training and support must be provided to all staff to ensure a consistent level of utilisation. For some employees, this may need to be in-person training while others may be receptive to online methods – be sure to take those different needs into account – and to understand how different groups communicate, collaborate and interact.

In addition, firms must clearly dictate organisational guidelines around acceptable methods of interaction and communication. Given the sensitivity of some methods – accusation of collusion with use of chat on Bloomberg terminals, for example – firms must strictly enforce these rules on the basis of how our industry is regulated.

As mentioned, conducting regular surveys of employees to inform how the organisation structures incentives, social activities and other elements of the workplace can be very effective in building a multi-generational culture.

	<b>BABY BOOMERS</b>	<b>GENERATION X</b>	<b>MILLENNIALS</b>
<b>Born</b>	1946-1960	1961-1980	1981-2000
<b>Size</b>	80 million	50 million	80 million
<b>Motivators</b>	Respect, Compensation, Security	Independence, Vacation/Free Time, Balance	Empowerment, Flexibility, Purpose
<b>Focus</b>	Relationships	Tasks & Projects	Collaboration
<b>Value</b>	Seniority	Competency	Equality
<b>Incentivized By</b>	Promotion, Money	Adding Valuable Skills, Money	Recognition, Experiences
<b>Technology</b>	Reluctant Users	Assimilators	Digital Natives
<b>Communication</b>	Face to Face, Telephone, Formal	Email, Text, Blunt/Direct	Text, Social, Very Informal
<b>Career Path</b>	Defined Progress Over Time	Merit-Based, Advancement	Rapid Progress Desired

# Incentives: Not Just About Money

An engaged team is an asset management firm's best weapon, but incentivizing teams, especially multi-generational ones, has gotten much more difficult.

Firms with staff engagement campaigns need to think carefully about the reward/s offered. Cash bonuses are still popular, of course, but the “wow” factor is becoming more important. Expect group experiences and travel incentives to become more common as firms work to ensure their reward packages offer both something different and something for everyone.

But don't overlook loyalty or longevity. Longest-serving employees are often still with a firm because they like their job – and are good at it. These are the employees who live and breathe a firm's culture and ensure their colleagues assimilate it. Making long-time employees feel valued is a great boost for them, but also encourages other staff to remain loyal and committed.

## Ferrari For A Day

Living in Silicon Valley, I hear amazing stories about this new generation of workers. One friend's tech start-up wanted to incentivize its sales team. The Head of Sales (a Boomer) thought at first to use the traditional carrot of a cash bonus for the top sales person. This as the primary incentive barely moved the needle. Then, the company got creative, keeping the cash bonus as an option (for Boomer and Gen X sales pros) but also offering the top salesperson the chance to drive a Ferrari for a day. For multiple quarters, the sales team crushed its numbers and a millennial won. The Ferrari incentive was the ticket. The kicker? The winners barely put any miles on the car – instead, they drove it to popular locales and took tons of selfies and posted the shots on Instagram and other social media sites.





# Conclusion

Millennials are talented, dynamic workers and their influence on – and contribution to – the asset management industry will only intensify. Attracting, retaining and developing millennial talent are key to every firm's success – not just as a function of hiring, but also to keep abreast of important competitive changes, thinking and nuances impacting the future of asset management. The following recommendations don't cost a lot to implement, but will go a long way to attracting and retaining this key portion of the workforce:

### **UNDERSTAND SHIFTING VALUES**

Millennials value a flexible work environment, opportunities for career progression and a strong, vibrant culture above most other factors. While attractive compensation and benefits (such as student loan repayment) are important in wooing talent, it's how a firm operates (e.g. culture) that will determine their overall success and retention. Consider moving to more frequent reviews as a way of keeping millennial workers abreast of their progress (or lack thereof). Some firms have staged quarterly, "mini-promotions" as milestones toward a specific goal to further emphasize how millennials need to calibrate their progress and professional growth.

### **EVOLVE THE FIRM'S CULTURE**

Having a positive, collaborative working environment is vital to keeping millennials engaged and productive – and can help to reinvigorate and engage other generations. Asset management firms must strive to build, champion and enforce an organisational culture that empowers millennials to contribute as much as possible – and acknowledges their work.

### **MEET THE NEEDS OF ALL WORKERS**

Firms must accommodate all workers – not just the forthcoming millennial majority. Don't fall into the trap of mimicking start-up company tactics. Instead, emphasize what makes a firm unique by incorporating the preferred values and norms of employees into the firm's work schedules, office environment, employee communications, incentive plans, and social activities.



## ABOUT THE AUTHOR



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Paige is Head of the North American Asset Management practice at Sheffield Haworth, splitting her time between the firm's San Francisco and New York offices. Prior to joining Sheffield Haworth in 2009, Paige was Head of the Asset Management and Hedge Fund practices at Sextant Search Partners, as well as senior client partner within Korn Ferry's Investment Management practice and Co-Head of the firm's Hedge Fund practice. Paige is an active member of the Boston Club and 100 Women in Hedge Funds, and is a regular contributor of thought leadership for the European Institutional Investor Institute, the Global Fixed Income Institute and the European Institute.

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### About Sheffield Haworth

Sheffield Haworth is a leading global executive search and talent advisory firm. Leveraging its deep industry knowledge, the firm partners with clients all over the world to provide tailored solutions for their business and talent needs at the senior management level. Established in 1993, Sheffield Haworth has 12 offices throughout the Americas, Europe, Middle East and Asia Pacific and serves clients in the Financial Services, Business & Professional Services and Technology industries.

Sheffield Haworth's global Asset Management practice is one of the largest and most well established in the industry. Many of our consultants have been working together for well over a decade, underscoring our ability to deliver deep industry knowledge, perspective and an unparalleled track record of success on behalf of our clients.

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