# Asset Management: "All Firms Will be Remembered by How They Treat Employees and Clients"

On April 7, Egon Zehnder and CFA Institute virtually convened 24 CEOs from asset management firms across Asia, Oceania, Europe and North America for a candid discussion of the impact that COVID-19 is having on their sector. Marg Franklin, CEO of CFA Institute, kicked off the call asking what is working, what isn't, and how they are responding to the changing environment.

The answers were both worrisome and encouraging. Despite global and economic turmoil affecting virtually every segment of their business – from investment inflows to market expectations to the future of new investments – asset managers said they were struck by how calmly both employees and clients have responded so far to the crisis. "Clients have held their nerve," said one executive. "I've been surprised by the continuity."

Still, liquidity in the capital markets remains of great concern for this group, which has seen virtually every worst-case scenario plan eclipsed by the financial and human costs of the crisis. Said one executive: "We've seen some improvement in fixed income markets but they are still relatively illiquid… and we're not talking about high yield. There are places in the market where people don't expect to lose money." Agreed another: "The value people assign to products will change. We're currently reengineering a number of products on the fly… after a $50bn markdown in assets."

Another better-than-expected outcome has been just how quickly the sector is transitioning to working from home. One senior executive with a large group of employees in China says that the rolling pace of the epidemic helped her prepare to transition a large staff to working from home quickly. "A month ago, if you said to me that we could run our business from 25 countries with 95% of people doing it from bedrooms, I would have said that that is rubbish. We have seen people who have stepped up to the plate and new types of talent and that's been refreshing."

She went on to cite three practical shifts that have made a difference, starting with an acceptance of the newly blurred lines between work and family. “We’ve made it normal and acceptable for meetings to be disrupted by family members, and we’re also allowing people to shift their working hours if needed, in part because we know people are sharing bandwidth within households,” she said. She also talked about the importance of “virtual coffee chats,” or other opportunities for employees to interact socially without a specific work-related reason. Many people on the call said that they think some of these modifications will become permanent in the post-COVID-19 world; one called them “long-lasting learnings.”

Still, some executives worry that the relatively smooth start may not last as the crisis drags on. “On the operational side,” said one, “I wonder if this is more like the eye of the storm. I do have a concern about fatigue – how to keep my teams engaged and motivated.”

Some of the discussion centered around employees’ anxiety about meeting performance benchmarks and what impact the crisis will have on their compensation. It’s not just about the decreased demand in the marketplace; it’s also, several said, about the difficulty that they have juggling childcare and other responsibilities while working full time from home. “We’ve encouraged team leaders to flex with teams,” said one executive. “People are not productive if they feel limited or unable or have other domestic responsibilities.” Another executive said that at his firm, mid-term reviews have been eliminated altogether, and that that time is being devoted instead to focusing on the development of younger leaders and associates. “How do we help them without that human touch?” he wondered.

Many firms have seen new investments and technology projects come to a halt, while others are pushing ahead. Said one executive: “There is a moral hazard around restructuring when everyone is so exposed. When big projects are underway, do you push or pause?” A few participants remarked that they thought that implementation is easier in this environment. Said one, who is in the middle of a large technology system upgrade: “We are compressing the project plan and being more aggressive. People are more focused at home and seemingly less distracted.” The general sense was one of being bold in decision-making and not standing still.

Executives also discussed how to balance between strategic priorities and short-term crisis management. Some asset managers have split their teams between “business as usual”, for example, focusing investment and distribution leaders towards the immediate needs of the business (i.e. clients and investment performance) and “looking to the future,” or identifying those changes and behaviors that will impact the longer term; these may include developing more flexible work allocation models, re-thinking talent management, and harnessing lessons from client engagement and solutions selling during this crisis period.

Perhaps the most thought-provoking part of the conversation concerned the changing definition of stewardship and what that will mean for the asset management world. ESG investments, so far, appear to be holding up. Says one asset manager: "We have been doing it for years but now people are really going to think about the sustainability of their investments."

Yet stewardship extends beyond ESG. "How the asset management industry is perceived post-crisis," one manager said, "will depend on: (1) how we are judged on the re-equitization of the economy, (2) governance standards, and (3) government aid acceptance." Another executive summed up the risk and reward equation very bluntly: "All firms will be remembered by how they treat employees and clients during this crisis."

The call ended with participants noting that "the world is watching" the asset management industry's stewardship of troubled sectors that are facing the brunt of the crisis. How the industry responds to its portfolio holdings in these sectors, for example, and its allocation of capital will be key to a sustainable global economic recovery.

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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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