

Asset Management in Asia:

Leading the way – into and out of the crisis

The COVID-19 pandemic hit Asia first, and as it spread across countries, leaders in the region started to deal with an unprecedented health and economic crisis, learning lessons that were then deployed across the world. As we look to the future, trying to envision the “new normal,” Asia will again lead the way – as several countries start to move into the post-pandemic era

On April 25, 2020, the Egon Zehnder Asia Asset Management team virtually convened 16 CEOs from asset management firms in Asia for a candid discussion of the impact of COVID-19. This briefing serves to highlight some of the key insights from that dialogue.

Ensuring Business Continuity

Top-of-mind for CEOs was to do what was right for their clients and for their staff. With clients, clear and consistent communication was key – to reassure them that their funds were safe and to advise them on the best course of action in the near to medium term. With employees, leaders felt a strong moral responsibility to ensure their safety, and that of their families. There was also a renewed focus on well-being and morale – recognizing the variety of challenges their staff was facing and demonstrating greater empathy (e.g., parents with young children who needed continuous supervision, young adults who were living alone away from family, staff who were supporting aging relatives).

As firms looked to establish new norms for working from home, they also needed to drive technology upgrades to ensure that the technology backbone supported the distributed working environment – besides handling the heightened capacity, the right risk and security protocol was also key. Across the board, leaders were thankful for the high levels of co-operation and collaboration across stakeholders – their own global leadership, peers in the local markets, regulators, and government.

Beyond the functional imperative of keeping the business going, asset management leaders focused on creating goodwill – being there and being relevant both internally and externally.

Preparing for the New ‘Normal’

There was broad consensus that this crisis is different. It has spread more rapidly and affected a much larger set of the population. It poses a bigger leadership challenge than the financial crisis of 2008 and other stock market crashes. Recovery is expected to be long-drawn and toward a new “normal.” On the call, CEOs discussed several fundamental shifts:

- **Glocalization** – The trend of globalization is in question. Across sectors, organizations are likely to redesign their supply chains and governments to protect their markets more. This is expected to have implications for flow of goods, information, and capital.
- **Broader adoption of digital platforms** – With their hand forced by the crisis, organizations and individuals are now more open to the use of digital platforms that allow remote engagement, compliant with social distancing norms.
- **Diversity in ways of working** – As working from home has become the norm, several organizations are starting to evaluate the cost-benefit of retaining this model (at least in part) even in steady state. Hybrid ways of working are likely to become the norm going forward – supporting staff who prefer the flexibility of working from home as well as those who would want to come in to work.
- **Diversity in hiring** – Flexibility to work from home could also increase diversity in hiring – supporting women who would prefer to work from home, bringing on staff who would prefer to work part-time, etc.
- **Increasing relevance of ESG** – This crisis has brought back the focus on social inequity – affecting most the lives and livelihoods of the poor. More than ever before, organizations will be expected to be conscious of environmental and social implications of their actions. Governments and regulators are expected to play a more active role.

As these secular trends play out across industries, specific implications several leaders anticipated for asset management include:

- **Increase in savings** – Some leaders are expecting to see a rise in individual saving, coupled with government dis-saving. This will create an opportunity for restocking of wealth, and hence opportunities for the asset management industry.
- **Reduction in interest rates** – Interest rates are expected to remain low for a long period of time. (For instance, governments in the past have capped bond rates.) This is likely to affect yields on fixed income products and more broadly other asset classes, and also preference and design of asset management products.

- **Need for a financial safety net** – Across countries, there is a need to improve financial security, particularly for vulnerable sections of population. This could be by way of social security and pension reforms focused on mandatory contributions.
- **Staying connected with customers** – There was a general consensus from the leaders that consumer behavior is going to change. Asset management has historically been a ‘high contact’ industry. Organizations will have to adapt to the new context where customers may prefer remote engagement, to in-person meetings.

Early Green Shoots

Several Asian geographies are now starting to re-open, though cautiously. In China, organizations are giving staff the option to return to work – though this is not yet mandatory. At workspaces, employee safety continues to be top priority. Offices are mandating temperature checks, providing PPE to all staff, and modifying air conditioning circulation to prevent cross-contamination. Domestic consumption is gradually rising, though still behind pre-crisis levels – and the real impact from rising unemployment is yet to be fully understood. Interestingly, selective firms have also seen a 10 percent YoY increase in retail mutual fund inflows post-crisis mode.

As one of the leaders put it, we are going to be more “globally connected virtually, and locally connected personally.” In this context, asset management players will have a significant role in refining their businesses and the re-equitation of the economy. Notwithstanding the exact contours of the recovery, they will need to learn to be more nimble and agile – anticipating and reacting to change faster than ever before.

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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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