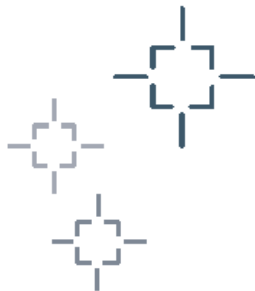


# GETTING BACK TO BASICS: ASIA'S PRIVATE BANKERS REBUILD RELATIONSHIPS FOR RECOVERY

**“It is not easy to go from extreme pessimism to optimism. This is a global event unlike other crises in the recent past. The current situation is too complicated to summarize in a few sentences. We’re entering a new era in private banking: back to basics.”**

**Mr. Mark Chan,  
Managing Director, Head  
of Marketing China, ING  
Asia Private Bank Ltd.**



**T**hree hundred of the top private bankers from amongst the leading financial institutions in Asia shared their views about the impact that the declining economic environment has had on their business as part of a survey conducted by Korn/Ferry International in March 2009. More than 50 percent of these Asia business heads, team leads and relationship managers with assets under management (AUM) of over US\$100 million believe the Asian economies are likely to rebound within the next 12 to 18 months, with 24 months being the outside timeframe expected for what some analysts have deemed an ‘inevitable recovery’ in the wake of a truly global crisis.

Recovery, changing client requirements and a race to upgrade talent were top of the agenda at an intimate roundtable discussion that was subsequently held in Hong Kong amongst business and HR heads of some of the companies polled in the survey.



**“A good banker should be holding the client’s hand through the crisis.”**

**Ms. Betty Tsui, Regional Market Manager of China and Japan International, UBS Wealth Management**

**“(As) the extension of credit is constrained by the capital base... (banks) will look around to see which country or region will get the best return on credit. Asia, with low credit margins, may not be the highest priority. When banks have to go out to issue capitals or bonds, they are being asked (to do so) at spreads of a few hundred (basis) points. With that cost of capital, banks are not willing to lend at a low margin. That’s why we see banks in Hong Kong increasing their margins.”**

**Ms. Joanna Chu, Managing Director and Co-Head of North Asia for Barclays Wealth**

Attendees agreed that laying the foundation for the future requires effectively rebuilding relationships with clients and employees while taking a step back to reflect on the long-term motivations and desires of both. In this way, the sector’s reputation also will be restored. Following are highlights of the conversation, which was moderated by Ms. Serina Wong, Regional Head of Asset and Wealth Management, Asia Pacific for Korn/Ferry Hong Kong.

#### **Finding Opportunities in a ‘New Era of Private Banking’**

For Asia’s private bankers, the significant slowdown in business has not dissuaded them from seeking ways to reassure their clients while convincing them that instruments still exist that can make them money. Several factors have caused the slowdown, including the shrinking overall wealth of clients in the region, wilting confidence amongst investors in capital markets and other investment products, and an intensifying lack of trust in financial institutions at large and relationship managers specifically.

Despite the negativity, almost 60 percent of survey respondents say their Asia-based high-net-worth (HNW) clients are still willing to entertain investment opportunities. However, because these clients are often business owners themselves, they are more focused on maintaining or strengthening their own operations than they are on developing their investment portfolios. According to Ms. Joanna Chu, Managing Director and Co-Head of North Asia for Barclays Wealth, while this also depends in part on the customer’s profile, even those with a lot of cash in hand are not necessarily confident about putting it back into the market, and if they do, they are investing much smaller amounts than before.

That said, there is consensus that the most qualified bankers have had less of a problem maintaining their clients’ trust. They do so by looking at the client’s total wealth and past exposure to ensure decisions are made that are the best for them. They also are sure to talk to them not only about what they have been interested in previously – which is easiest to understand – but also about bright spots on the horizon in, for example, developing markets or distressed assets.

In this way, the more seasoned private banking professionals are able to provide a balanced perspective of the options for those clients who are the most open to listening. Additionally, issues such as the general lack of credit and poor cash rates are forcing private bankers to be more innovative than ever.

### The Best Time to Invest in Relationships

It is perhaps not an overstatement that “The relationship between the private banker and his client is the single most important customer tie that there is.”<sup>1</sup> In the current crisis, those relationships have been damaged, which has damaged the reputation of private banking professionals as a whole.

According to Ms. Lydia Han, Vice President, Strategic Recruiting, Credit Suisse Private Banking, North Asia, this has been a good lesson from a recruitment perspective, in that it has forced banks to re-examine the kind of people they have been attracting, rather than simply going after or competing for so-called ‘talent.’ “Money alone cannot attract bankers with integrity. We should put more emphasis on the quality of the

**30 percent of Asian private bankers surveyed said they earned more in 2008 than they had in 2007.**

Korn/Ferry Private Banking Survey, March 2009

**“People will follow the opportunities and go to banks with the best balance sheets and portfolios.”**

**Mr. Rob Grandy, Regional Market Leader, Financial Services, Asia Pacific, Korn/Ferry International**

## Asset Class of Choice for Superior Returns

	Private Bankers	HNW Clients
Fixed Income	1	1
Foreign Exchange	2	2
Developed Market equities	3	3
Commodities	4	6
Developing Market equities	5	5
Cash	6	4
Real Estate	7	7
Hedge Funds	8	9
Private Equity	9	8
Private Debt	10	10
Alternative Investments	11	11

Korn/Ferry Private Banking survey, March 2009

<sup>1</sup> “Finding Wealth Management Opportunities in the Market Downturn: Strategies for Winning in the New Marketplace,” Datamonitor, October, 2008.

## Bright Spots on the Horizon

To grow their businesses immediately, Asia's private banks are focused on improving their credit terms, product offerings, pricing, technology and sales support while watching the horizon for what lies ahead. Some indicators of possible lasting trends include:

- **Asia Desks:** In the first half of 2009, Korn/Ferry's regional experts have seen many inquiries from new banks around the world looking to open private banking branches in Asia to better accommodate their clients. While European banks are doing this mainly for tax-related purposes, others (such as Australian, Canadian and Japanese banks) aim to seize the opportunity to grow the private banking business in this part of the world.
- **Cash:** Low deposit rates will eventually trigger HNW clients to consider investing their cash again on products of higher investment return once sentiment becomes more positive.
- **China:** Clients and bankers remain optimistic about the Chinese market, with the current circumstance viewed as merely an interim "sharp slowdown." Most still believe the country will lead Asian economies over the long term.
- **Credit:** The ability to analyze clients' credit profiles and subsequently extend credit to them will be a distinguishing factor for private banks. As credit dried up during the financial crisis with banks trying all means to preserve or shore up their capital base, the cost of capital has become higher and lending practices more restrictive. Even if there were a credit extension offering from the private banking sector, it would likely be for specific areas of the economy and not available on a broader basis.
- **Distressed Assets:** Real estate in the U.S. is particularly interesting right now for Asian investors. Although there has been similar interest for Asian assets, valuations are much less attractive.
- **Regulatory Environment:** Increased regulatory scrutiny in Europe and the U.S. is expected to result in an increased focus on Asia and the Middle East not only through locally-based coverage desks for overseas clients, but also through the expansion of domestic institutions' wealth management capabilities.

bankers and their motivation to move,” she remarks. Ms. Tsui agrees that the downturn has been good in terms of consolidation and removing unqualified bankers from the mix.

Asia’s private banking executives feel the image of private bankers and relationship managers today has become less clear-cut compared to their counterparts in corporate and investment banking, and that the standards are being redefined. As Ms. Esther Ko, HR Business Partner, Hong Kong, RBS Coutts Bank Ltd. points out, “Private banking is a relatively new industry in the region. The rapid growth of this industry in the last few years, combined with the shortage of relationship managers, prompted private banks to seek alternative sources of recruitment. Given the pressures of overwhelming demand for talent and the race against time, it was a challenge then to ensure the quality of talent.”

In today’s somewhat less frenetic business climate, human resources practitioners at these institutions are even more careful in scrutinizing the personal attributes and interpersonal skills of their people, looking for competencies such as customer focus, integrity and trust. One’s ethics, values and motivations have become just as important, if not more so, as their academic and career background.

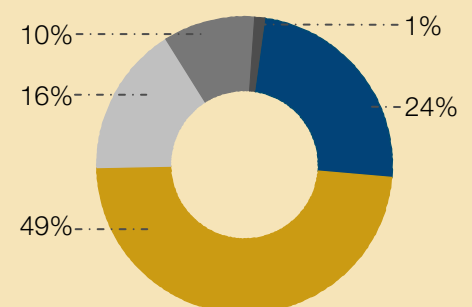
To take advantage of a quieter period, banks are continuing to invest in risk management and induction training programs that help less seasoned relationship managers to feel more secure in their roles while promoting the soft skills that are attuned to a corporate culture founded more on ‘sharing the pie’ and less on ‘chasing after the money.’ Whether the training is about new products, sales techniques, or compliance, these programs are as much about motivating and retaining high performers as they are about rebuilding the industry’s reputation as one with high standards.

The training programs also are designed to keep private banking an attractive career option for the best employees, who are looking to take on more responsibility as quickly as possible – fifty percent of survey respondents envision assuming a greater management role within the next five years.

**“The old adage that the worst economic periods are the best times to invest and vice versa applies today – literally and figuratively. Now is perhaps not only the best time to see what your staff are really like, but also the best time to invest in your relationships with them – it is crucial to spend quality time with your people.”**

**David Wong, Managing Director, Head of Business Development, HSBC Private Bank (Suisse) SA**

### Professional Aspirations of Asia's Private Banking Executives



- Continuing current role
- Management role with greater responsibility
- Family office
- Independent Financial Advisor (IFA)
- Others

Korn/Ferry Private Banking Survey, March 2009

Ms. Han underscores the importance of keeping people motivated during down times, saying banks should help them meet their goals with sound leadership role models and preparation for promotions. She mentioned staff networking clubs as one out-of-the-box approach implemented by Credit Suisse to help bankers establish internal networks and learn from each other. The other important initiative introduced this year is the Team Head Project, which provides a proper platform that helps bankers do business while creating an invaluable mentor and buddy system.

That said, a balance must be struck to prevent premature promotions that can set employees up for failure. As Mr. Wong explains, especially for people starting on the sell side, promoting them when they are not ready could, in fact, backfire and destroy their career rather than advance it.

While the consensus is that good bankers do not like to move and that top-tier talent are very loyal (with company tenures of five to ten years on average), the biggest push factors to leave are usually tied to discontent with the bank's leadership and how the bankers are being treated. As Ms. Ko sums up, "People like transparency. People like fairness. People like clear goals."

## Training and Retaining Top Talent

It takes a combination of factors to attract the best bankers, from the bank's brand name and product platform to the quality and vision of its upper management team and breadth of its client base. While money is always a factor, leadership direction and career enhancement truly help differentiate one bank from another. In addition, executives from Asia's leading banks encourage the following practices to drive people to do their best:

- Create a strong company culture, with solid values and a sense of teamwork as well as an internal brand that speaks clearly of who you are today and where you are going in the future.
- Demonstrate unwavering commitment to the business as well as the region.
- Focus on ensuring that up-and-coming relationship managers understand asset allocation, financing solutions and liability management, are well versed in compliance and new regulations, and are prepared to assume leadership roles.
- Look at longer-term career planning for high performers.
- Make compensation schemes as consistent yet flexible and transparent as possible.

When it comes to compensation, Ms. Maggie Lock, Director of HR for SG Private Banking stresses that offering purely bigger bonuses and salaries is no guarantee of retention. She and other executives underscore the need to be careful about what is included in formula-driven packages and avoid overly inflated offerings. As Ms. Tsui remarked, “You want bankers to be real bankers – this can’t happen on a purely formula or commission-driven basis alone. I would rather let go of the talent or not persist in recruiting if the asking price is too high.”

### Conclusion

While no one can fully predict what might happen next, in Asia, the focus is on finding the lessons in and making the most of the current economic situation to rebuild more sustainable and responsible businesses through common sense and ethical practices. Executives are heeding Warren Buffet’s advice to ‘get back to basics’ and taking the time to examine what is behind the decisions being made from the top down throughout their organization while testing and strengthening internal and external relationships. In this way, they hope to return private banking to five-star status in time to benefit from any upswing in the market.

**“A senior banker once said, ‘Good private bankers are like Michelin-star chefs, and banks are the restaurants. As long as you give me the basic ingredients and utensils, my clients will follow me because I can fulfill their different appetites.’ Banks on the other hand may argue that this is not the case.”**

**Ms. Esther Ko, HR Business Partner, Hong Kong, RBS Coutts Bank Ltd.**

### Back to Basics: Advice for Improving Relationships with Clients and Employees

- Apply the same principles you use to keep clients in order to keep your best people.
- Be creative yet credible with your advice – the appetite for exotic products is small amongst HNW clients, relationship managers need to look at the client’s total asset allocation and guide them accordingly.
- Deliver consistent and constant communication to rebuild trust between customers and relationship managers as well as to motivate employees.
- Do not rule out local banks. Although investment product offerings are comparatively limited, they do not have the barriers to entry that offshore institutions might, and they also ensure compliance.
- Never bad-mouth or allow employees to bad-mouth your competitors – in an e-mail or otherwise – it only tarnishes the industry’s reputation as a whole.



**Robert Grandy** is the Regional Market Leader, Financial Services Asia Pacific of Korn/Ferry. Based in Hong Kong, he can be reached at [robert.grandy@kornferry.com](mailto:robert.grandy@kornferry.com).



**Andrew Tsui** is the Chairman, Hong Kong of Korn/Ferry. Based in Hong Kong, he can be reached at [andrew.tsui@kornferry.com](mailto:andrew.tsui@kornferry.com).



**Serina Wong** is the Regional Head of Asset and Wealth Management, Asia Pacific at Korn/Ferry. Based in Hong Kong, she can be reached at [serina.wong@kornferry.com](mailto:serina.wong@kornferry.com).

#### **About The Korn/Ferry Institute**

The Korn/Ferry Institute was founded to serve as a premier global voice on a range of talent management and leadership issues. The Institute commissions and publishes groundbreaking research utilizing Korn/Ferry's unparalleled expertise and preeminent behavioral research library. It also serves as an exclusive destination for executives to convene and hone their leadership skills. The Institute is dedicated to improving the state of global human capital for organizations of all sizes around the world.

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Korn/Ferry International, with a presence throughout the Americas, Asia Pacific, Europe, the Middle East and Africa, is a premier global provider of talent management solutions. Korn/Ferry was the first major global executive search firm to operate in Asia Pacific when it opened its doors in Tokyo in 1973 and today has 18 offices in key business centers throughout the region. Based in Los Angeles, the Firm delivers an array of solutions that help clients to attract, develop, retain and sustain their talent. Visit [www.kornferryasia.com](http://www.kornferryasia.com) for more information on the Korn/Ferry International family of companies and [www.kornferryinstitute.com](http://www.kornferryinstitute.com) for thought leadership, intellectual property and research.

