

# REFLECTIONS FROM ASSET MANAGEMENT EXECUTIVES IN ASIA ON TALENT STRATEGIES TO ADDRESS VOLATILE MARKET CONDITIONS



**“There has been a changing paradigm from... the last decade where banks and asset managers pushed products... [R]isk management will now be a dominant feature in the grand scheme of things.”**

**– John Pearce**

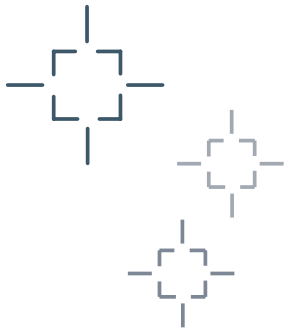
Head of Global Asset Management, Ping An Insurance

In mid-September, Korn/Ferry International’s global financial services experts convened with a dozen of some of the most senior executives from leading asset management firms in Asia to discuss early findings of a survey conducted just a few weeks earlier in order to gauge how recent volatility and the international financial crunch were impacting the strategies of retail and institutional investors. This paper summarizes key takeaways from the survey as well as views from participants of the Executive Forum, which was moderated by Ms. Serina Wong, Senior Client Partner and Sector Leader, Asset & Wealth Management, Asia Pacific, Korn/Ferry International.

## **Staying Positive in a Period of Uncertainty: Will “Risk Management” Help Realize Future Opportunities?**

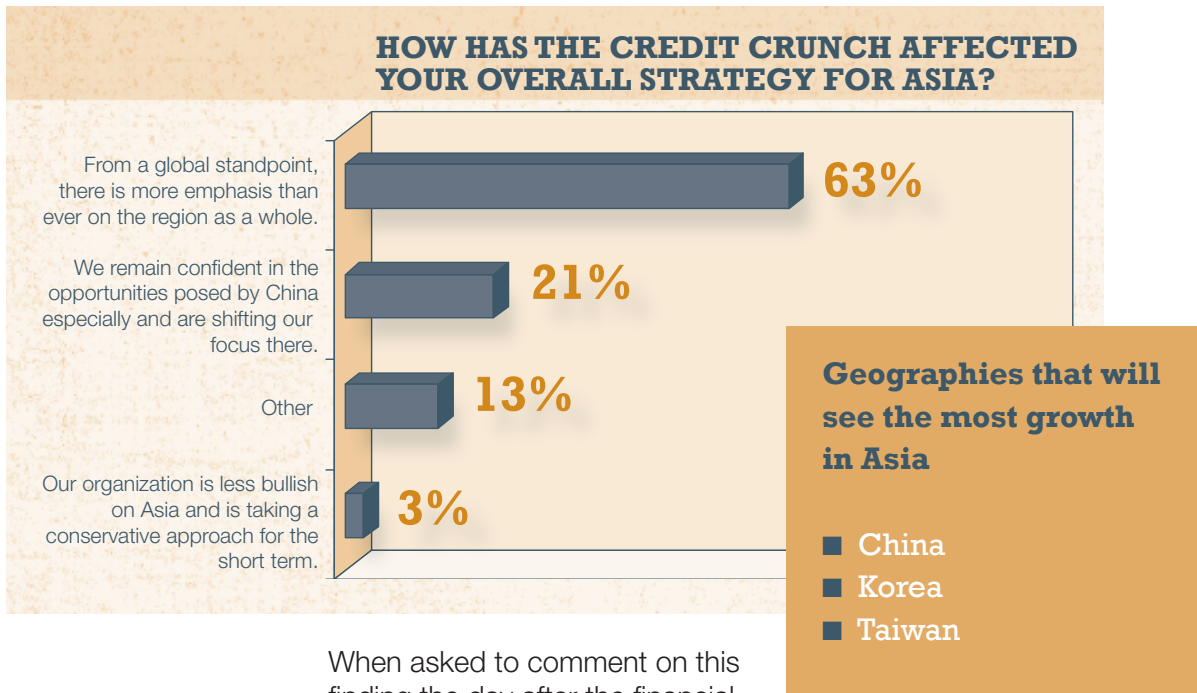
What a difference a day makes. A look at the events leading up to the morning of our Executive Forum session on September 18th, 2008 – when money market sell orders from institutional investors totaled \$500 billion out of a total market capitalization of \$4 trillion necessitating a \$105 billion liquidity injection from the Federal Reserve – underscores the recent vulnerability of the global markets. This, and the subsequent realization that investment banks – or at least “the standalone investment





banking model” – were now a part of history, created massive stock market losses, prompting infusions of cash by central banks around the world. Also on September 16th, the Reserve Primary Fund, a large money market mutual fund, lowered its share price to below \$1 because of its exposure to Lehman debt securities. This resulted in demands from investors to return their funds as the crisis mounted.

Just a few weeks earlier, a Korn/Ferry pulse survey of senior executives across the Asset Management space in Asia showed that amidst the growing uncertainty, 60% were seeing more of an emphasis on the region than ever, especially in the relatively “cheaper” markets like China, Korea, Thailand and India.



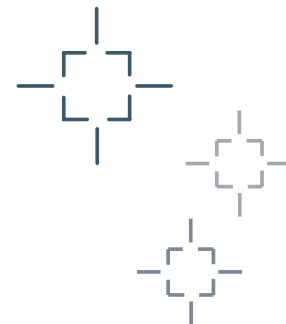
When asked to comment on this finding the day after the financial meltdown, executives reiterated that indeed there were reasons to be optimistic about the region, especially if a long-term perspective was taken. According to Paul Heffner, Partner, AJIA Partners, there

are “screaming opportunities, but we have to be careful as investors are waiting on the sidelines to invest in Q4.” He and other executives in attendance expressed the notion that systemic risks had been overlooked which led to the current crisis and that as a result, risk management will be a dominant theme when assessing next steps.

Even before the crisis, almost all of the major firms had swapped out their global heads of risk management as Boards and CEOs became much more focused on it not only to protect the bottom line but also to increase investor confidence. As a result, risk managers are playing a more important role and have a more active voice at the Investment Committee level. The question for Asia is where will the talent come from to assume these roles? There was consensus during the Forum that “massive” skills shortages across every division will impede firms’ ability to capitalize on new opportunities, and that the cost of finding sophisticated risk managers will continue to rise.

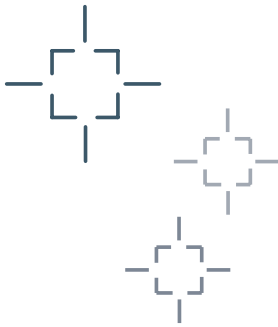
And, while the survey indicated that a large majority (65 percent) of executives polled feel expats can fill key talent gaps for the short to medium term, there was recognition of the limitations of this approach and the need for continued long-term investment in developing local talent, especially as cultural attitudes toward risk evolve, even at the product level, where clients are not always as sophisticated as in other parts of the world. A rise in in-house training programs to groom proprietary talent for the much-needed risk management position is anticipated.

In addition, corporate communications professionals who are capable of driving effective investor relations programs will be critical, as will people who can help educate clients about the value propositions of various investment alternatives. For institutional investors, one option is to have portfolio managers fill this function, since they already have the credibility internally and externally. While this has worked in other regions in recent years, it is still not a bullet-proof solution, since most fund managers are happy where they are. Another complicating factor is the fact that the investment teams



**Areas of expertise that need further developing to meet current talent requirements**

- Institutional Marketing
- Product Development
- Risk Management Procedures



are not always based in Asia as they are, say, in New York or London, and so this model might not be as applicable here. As echoed by Edith Ngan, Regional Managing Director, Fortis Prime Fund Solutions, public communications and investor relations continue to be underestimated as CEOs tend to focus predominantly on growth. Even so, according to Ms. Ngan, “the financial industry may want to reassess this aspect to provide more transparency, while acting as a trusted advisor to its investors.”



“Investors are generally directionless, sitting on cash, taking more of a ‘wait and see’ stance. I think it is more than the credit crunch – there was the instability in the stock market, people went into commodities and currencies and then they went south. [Since the] bond market is no better, there doesn’t seem to be much to look at.”

– Edith Ngan

Regional Managing Director  
Fortis Prime Fund Solutions

## IMPACT OF IMPENDING LEGISLATION IN NORTH ASIA

Generally speaking, the gradual and eventual deregulation in China and Korea specifically were viewed by survey respondents as a step towards attracting more talent and resources to the region as a whole. At the same time, such deregulation is expected to make this talent even more expensive and is not seen as any guarantee that the “right” talent would be attracted – for example, investment advisors in China and English-speaking advisors in Korea. Once again, the changes are seen as making investor and distributor education top of the agenda for firms seeking to stay one step ahead.

According to Douglas Eu, Chief Executive Officer, Asia Pacific of Allianz Global Investors Asia Pacific GmbH, “The key beneficiaries of the changes will ultimately be the underlying investors, namely retail investors, [who will] have an increased breadth of instruments to optimize their portfolios through diversification (e.g., new asset classes, offshore products) and [applying] more sophisticated risk management tools.”

### **Asian Clients Ask: “What’s the ‘Alternative’?”**

When the time came to comment on institutional client sentiment across the region, Carlo Venes, Head of Institutional Business for Asia, Fidelity International, indicated that views had not changed in terms of long-term strategic asset allocation and investors in Asia continue to be keen to diversify their portfolios further. On the flip-side, executives stressed a need for firms to avoid treating all clients in Asia the same, since the size and demographics, as well as the level of sophistication of their product knowledge, varies greatly from market to market. Forum participants suggested a need to carefully evaluate the relevance of products from the US and/or Europe to Asia-based clients through careful due diligence and research. Of course, ongoing client education about the various offerings is also needed – perhaps more so now than ever.

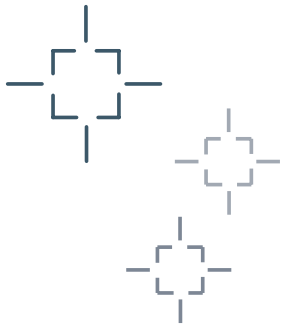
It seems that “unconstrained investing” is leading to a redefinition of what constitutes “alternatives” for the Asian markets as investors seek new ways of maximizing their returns. Will real estate play a larger role now? What about private equity? This debate points to an even greater need for the asset management industry to ensure clear communications to clients about the various asset categories and potential benefits of each.

### **Three product areas that will see the most growth in the next 12 months:**

- Alternative Investments
- Capital Preservation Funds
- Index Funds/ETFs

### **OVERALL TRENDS WITHIN THE ASSET MANAGEMENT INDUSTRY IN ASIA**

- Investors are becoming increasingly interested in and large asset management firms are broadening their reach in the “alternatives” space to include infrastructure, real estate, ETF, Index Funds and private equity;
- Private equity firms will be able to take advantage of significant investment opportunities, thanks to reduced valuations and the limited availability of funding;
- An emphasis on environmentally-friendly and “green” investment products including solar, wind, renewables, etc., continues;
- There has been a surge in upgrading marketers’ investment knowledge, especially in terms of providing value-added services to sophisticated institutional investors; and
- Increased redemptions are putting pressure on Asset Managers and causing consolidation of hedge funds, particularly those under the US\$300 million threshold.



### **Creativity in Times of Crisis: The “Consequence of Extremes”**

Despite the escalating turbulence in the market, survey respondents reported in September that companies were likewise taking a “wait and see” attitude to their talent priorities, operating “business as usual” and holding off on hiring without necessarily planning any cutbacks in the short term. Rather, the focus was on realigning internal talent to drive business through the tough climate while examining ways to improve efficiency and “right wrongs” in areas like compensation to ensure that “average” performers were not unduly rewarded. Whereas even 18 months ago salary expectations were up 20-25 percent, today the cost of doing business from a talent management perspective is seen as relatively negligible in comparison.

Michelle Li, Vice President, Human Resources, Asia Pacific, Sun Life Assurance Company of Canada sees this as a chance to afford better people, manage the expectations of “high flyers” and put corporate and agency staff on new career tracks. As Ken Copland, Head of Human Resources (Asia), AllianceBernstein reaffirmed, the resounding sentiment was that 2009 will be a “leaner” year overall, with the immediate goals being keeping the people that are really needed and getting the right organizational structure in place.

And, while the natural assumption might be that the dislocation of talent is a chance for firms to “top grade” and go after the best and brightest, it was noted that companies need to ask themselves what would really attract star performers to take the risk to make a move right now, even to the relatively attractive Asian markets. Offering truly “career defining moments” and the chance to make a real difference are two possible tactics.

### **Crisis in Leadership**

When responding to the survey, almost 80 percent of executives said they believed their current management teams could lead the business through market volatility, with those who did *not* citing a need for stronger change agents and regional leaders who could build deeper Asia-based teams. During the Executive Forum, the global market woes were pinned on the upper most rungs of leadership who either did not truly understand the business or were “in denial” about it.

As things unfold and the issue of global liquidity is resolved, leaders of businesses in every industry will need to deal with uplifting their

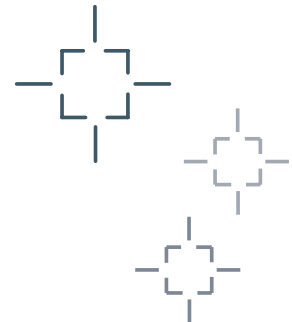


**“Firms now need to focus on finding true leaders who can bring new differentiators. In current conditions, some top performers may expect flat compensation while the bottom half feel lucky to keep their jobs.”**

**– Iraj Ispahani**

Regional Market Leader,  
Financial Services, EMEA,  
Korn/Ferry International

organizations and instilling confidence while looking for new ways to transform and achieve new levels of operational integrity and excellence for the future. Dynamic times call for dynamic leadership - continuing to take smart risks that meet client expectations while retaining and aligning top performers will be the only way forward.



### **Korn/Ferry International's Global Financial Services Team**



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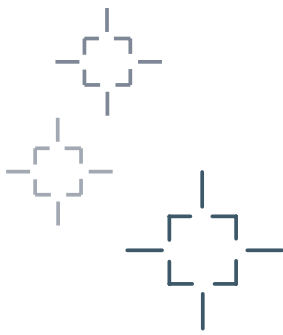
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### **About Korn/Ferry International Asia Pacific**

Korn/Ferry International, with more than 90 offices in 39 countries, is a premier global provider of talent management solutions. Korn/Ferry was the first major U.S. executive search firm to operate in Asia Pacific when it opened its doors in Tokyo in 1973. Today it has 18 offices in key business centers throughout the region, including: Auckland, Bangalore, Bangkok, Beijing, Brisbane, Guangzhou, Hong Kong, Jakarta, Kuala Lumpur, Melbourne, Mumbai, New Delhi, Seoul, Shanghai, Singapore, Sydney, Tokyo and Wellington.

Based in Los Angeles, the Firm delivers an array of solutions that help clients to identify, deploy, develop, retain and reward their talent. For more information on the Korn/Ferry International family of companies, visit [www.kornferryasia.com](http://www.kornferryasia.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.

