

Opinion

'Exhaustion' Hampers Wealth Firms' Growth

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At a recent wealth management CEO roundtable, 18 senior industry leaders were asked what they saw as the biggest challenge facing their market moving forward. One particularly honest participant quipped, "Exhaustion," which generated a round of applause from her peers. She continued: "Our clients are exhausted, our institutions are exhausted, and we are exhausted." It was a brave confession, and one that was echoed by the group.

As an industry and as individuals, we are poorer than we were two years ago, more nervous, less trusting and very tired. And this fatigue manifests itself in a number of insidious ways. I have noticed that this phenomenon is highly evident in the reduced efficiency with which the industry recruits talent. What I refer to is a uniformly debilitating malaise sweeping the industry in which the group dynamic is one of lethargy, resignation, and a lost sense of urgency.

We have seen impressive announcements from at least three wirehouses notifying the industry of major hiring sprees. But to quote a famous fast-food commercial: "Where's the beef?" New hiring has slowed overall at an alarming pace, and perhaps more significantly, the recruiting timeframe for an average search has doubled in the last 12 months. This process slowdown is the result of several factors.

Most institutions are more focused than ever before on determining where the breakeven points are for new hires. We are often hearing requests that only candidates that "pay for themselves," or are "accretive," will be considered. This significantly trims the field, and results in a new type of conversation with the candidates. It also requires the involvement of CFOs and comptrollers in the hiring process, and the development of complex and often unrealistic financial modeling.

Another factor is the forced consolidation within the industry. The acquiring and acquired banks and financial institutions often had divergent recruiting and compensation methodologies. The integration of these systems has added to the overall slowdown. New structures needed to be



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created and then tested in the field. This has been a time-consuming process, and the resulting models are only now being implemented.

The formulation of new hiring structures and compensation modeling is, by its nature, a centralized process. As a result, recruiting decisions have changed from being a tactical initiative to a strategic one, as major hiring decisions are made not on the line but at the headquarters level. Along with this centralization comes an increased role for the human resources department, which often acts as the Praetorian Guard for the nebulous wishes of a centralized regime. And so hiring has become bureaucratized and cumbersome.

Finally, exhaustion does play a direct role. Hiring managers seem to simply be out sick more often than any period we have experienced since the Internet crash of 2000. In coordinating round-robin interviews, one finds at least one robin has flown the coup, or is infirmed. The combination of absenteeism and a centralized HR repository of feedback causes major delays in conveying information to the candidates, whom we now expect to be not simply “accretive” but also exceedingly patient. Of course, the candidates are not exempt from the epidemic of exhaustion and soon lose interest in this protracted process.

When you combine these factors, it is clear to see why few qualify as viable candidates, and fewer still have the stamina to survive the process. At the end of the day, those paltry survivors of the process are often too exhausted to accept the offer when it finally does arrive. It is a sad state of affairs, and one that I find exhausting.