



Meet the New Virtual Client-Facing Investment Professional

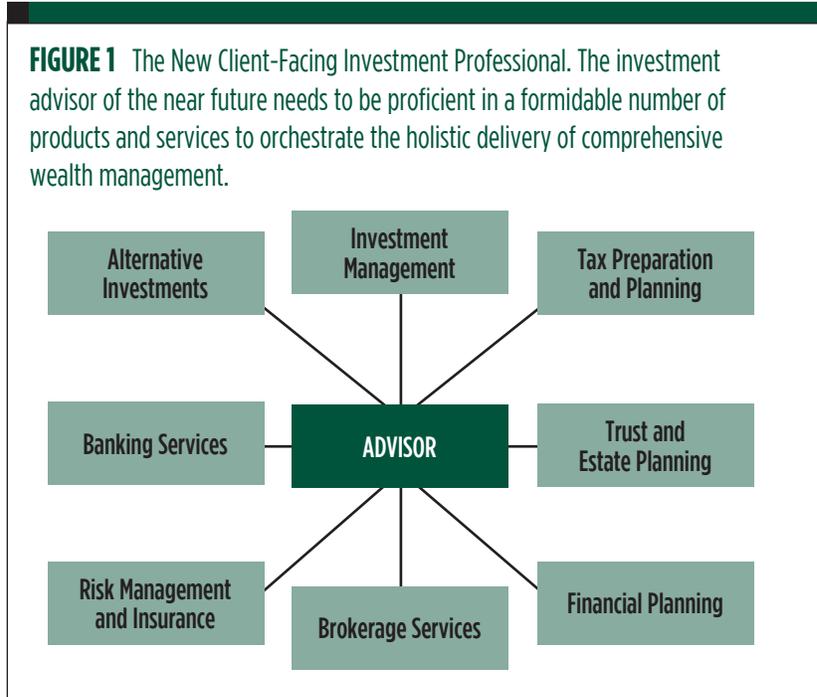
BY ALLAN STARKIE, Ph.D.

Demographic and market forces have converged to create a growing demand for investment professionals who have the technical and sales skills necessary to succeed. I estimate that this demand will grow an additional 50,000 such “client-facing” professionals to augment the current national sales force of 400,000 investment sales professionals¹ within just the next three years. I don’t believe, however, that the industry has the human capital to meet that demand. I predict that the new client-facing investment professional of the future may be a very different creature than the investment consultant or private banker of the past. In fact, technology rapidly is evolving to the point where this new professional may not even be human.

Background

For some time now individual investors have had access to managers and products that once were available only to institutional investors. We also see that individual investors’ appetites are growing in sophistication in a 10-year cycle, with demands of the ultra-high-net-worth investor migrating within a decade to become demands of the high-net-worth segment, cascading in a spiral toward the mass affluent.

In short, information technology has created unprecedented transparency and open architecture has offered accessibility to a universe of



possibilities. The result is that asset management has become commoditized. And as a result of that commoditization, the advisor’s battle for market share will be fought in great part based on the quality of each financial institution’s client-facing professionals.

The New Client-Facing Investment Professional

An emerging and formidable set of skills is needed to accommodate this shift. The new client-facing investment professionals need to be deep generalists, not specialists. In addition, the industry must become far more sophisticated in screening for personality traits suited for sales and client service.

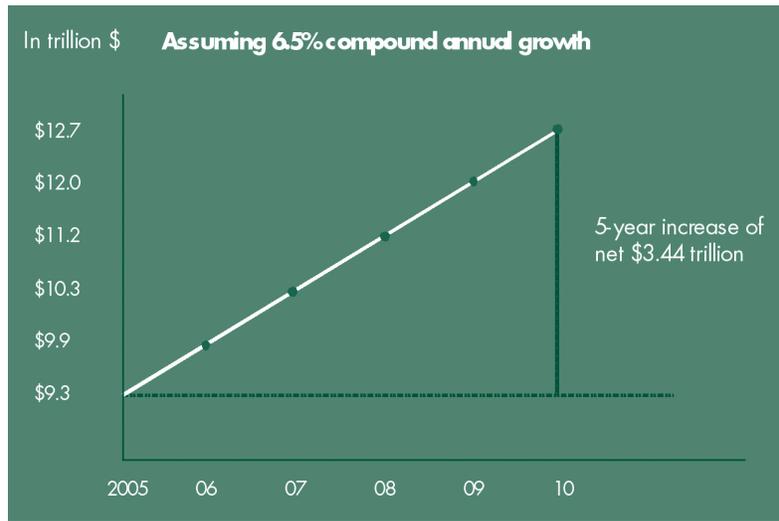
According to McLaughlin and Harvey,² the new client-facing professional—whom they call an “ombudsman”—must be the following:

- an empathetic listener to whom others reveal themselves
- emotionally intelligent and have common sense
- intellectually curious about professional as well as nonprofessional interests
- able to ferret out information from even the most inarticulate
- satisfied in the role of coordinator or “knowledge contact”
- a nurturer
- conscientious—one who sweats the details
- dependable—one who follows through beyond expectations

- part teacher, coach, mentor, advocate, minister, and friend
- self-confident and not intimidated by wealth
- filled with conviction and able to assert a professional opinion even if it's unpopular
- unswerving in sound judgment; someone who does the right thing first

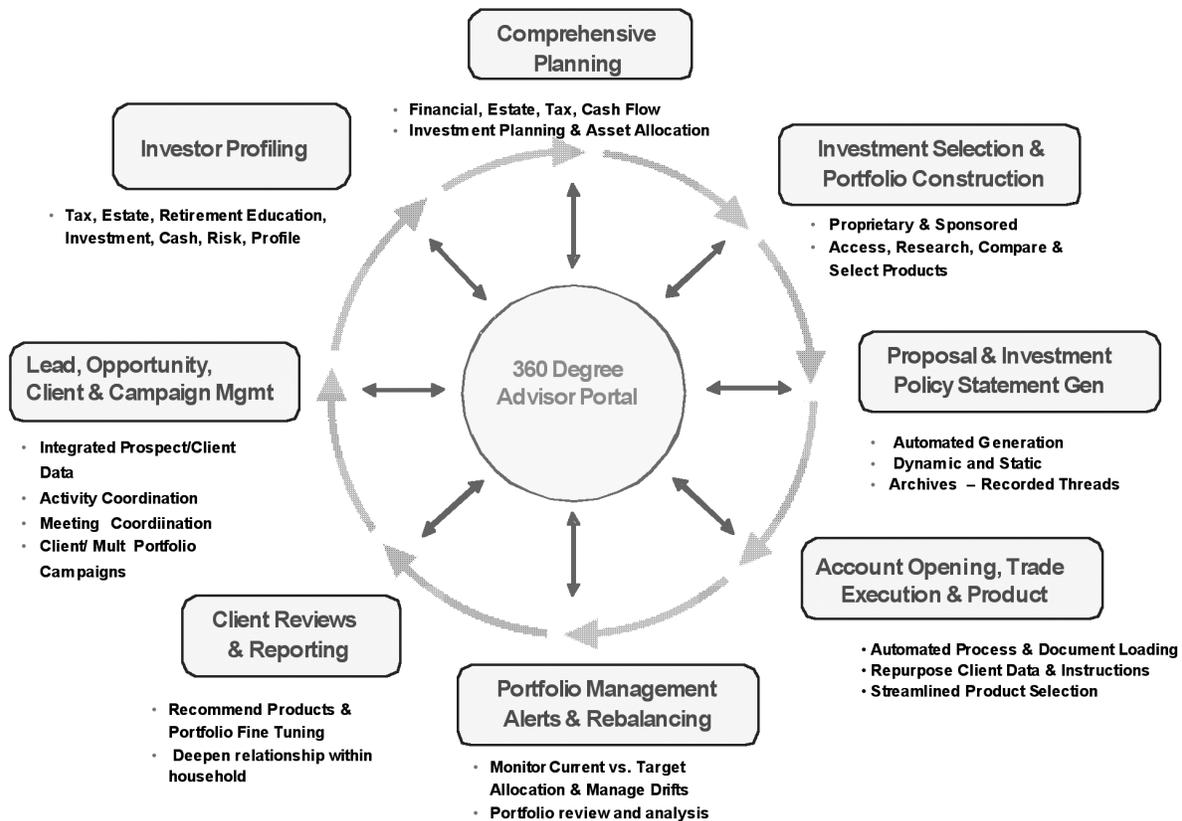
But extensive personality screening within the investment industry reveals that one out of 10 professionals possess the necessary skill-set to be a successful acquirer of assets and one in every two have the skills to be a successful relationship manager.³ Thus only one out of 20 has what it takes to be successful within the private banking models in which one person is responsible for client acquisition as well as client service.

FIGURE 2 Growth of High-Net-Worth Assets



Source: Capgemini and Merrill Lynch, World Wealth Report 2006

FIGURE 3 The Virtual Ombudsman



Source: Microsoft

>> “VIRTUAL PROFESSIONAL” CONTINUED

Indeed, financial institutions rely on a very small pool of sales talent for a highly skilled client service force, which thus in many cases merely comprises retread portfolio managers transformed into “trusted advisors.”

The Ombudsman Gap

As an executive recruiter, I associate a job description with someone I know. I then use that person as a prototype to develop a slate of qualified candidates. But when I combine the ombudsman’s technical and interpersonal skills with sales skills, I am describing someone whom I have never met.

This becomes a real problem when you consider that we need 50,000 additional ombudsmen (that is, client-facing investment professionals or high-net-worth sales people) in North America by the end of 2010.

Figure 2 shows the projected growth of high-net-worth assets in North America between 2005 and 2010. This projection calls for an increase of more than \$3.4 trillion in these assets.⁴ Assuming that this \$3.4 trillion generates \$17 billion in new recurring fee revenues (using 50 basis points), and that the average high-net-worth sales professional acquires \$350,000 in new fee revenues, then we need 50,000 additional high-net-worth sales professionals over the next five years. This figure does not include replacements or the growth in demand due to baby boomers’ wealth transfer.

In a national sales force where fewer than 5 percent are capable of consistently generating \$1 million in new annual-fee revenue, the battle for talent quickly will exhaust the talent pool. In other words, we are facing an ombudsman—or client-facing investment professional—gap.

Top compensation will continue to rise, with million-dollar revenue producers exceeding \$500,000 in total compensation. Smaller, more nimble firms will attract top professionals by offering equity and creative compensation. Larger firms will be

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forced to pay for recurring revenues on a formulaic basis and wire houses will morph into quasi-banks.

But all these institutions simply will be playing an expensive game of musical chairs with the same top producers unless we devise a means of either expanding the talent pool or augmenting it with technological innovation.

The Virtual Ombudsman

Just as someone who is deaf uses sight, smell, and touch to compensate for lack of hearing, the investment industry must take advantage of technology to compensate for the lack of client-facing professionals.

For example, Commerce Bank recently acquired E-Money and is setting up account aggregation and asset allocation software using technological solutions to augment human capital limitations as well as provide a form of branding. And Microsoft is about to enter the wealth-management scene in a big way, as its Advisor Portal becomes another way of leveraging technology to supplement human capacity (see figure 3). Microsoft has built an initiative around wealth management, leveraging its own software and capabilities from specialty firms to create an offering that augments any of the wealth-management cat-

egories in which a human might be lacking capacity.⁵

In this way the investment industry can use technology to virtually meet the growing demands of the high-net-worth sector and close the client-facing professional gap. Firms innovative enough to integrate comprehensive technology with sophisticated candidate screening and training will dominate the market. ■

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Endnotes

1. Chip Roame, Tiburon Strategic Advisors, “The State of the Advice Industry” (presentation, Commonwealth Financial Network Wealth Management Symposium, San Diego, CA, June 5, 2007).
2. Dr. Myron Harvey and Jamie McLaughlin, personal communication (2006). Dr. Harvey is an industrial psychologist, working with Mr. McLaughlin, Convergent Wealth Advisors, New York, NY.
3. Dr. J. Martin Haygood, personal communication (2003). Dr. Haywood is founder of Management Psychology Group in Atlanta, GA, where he consults with business leaders on selection, team development, and organizational effectiveness issues.
4. Capgemini and Merrill Lynch, *World Wealth Report 2006*, available for registered users at <http://www.us.capgemini.com/DownloadLibrary/requestfile.asp?ID=508>.
5. Craig Saint-Amour, personal communication (2007). Mr. Saint-Amour is head of wealth management and capital markets for the U.S., Microsoft.