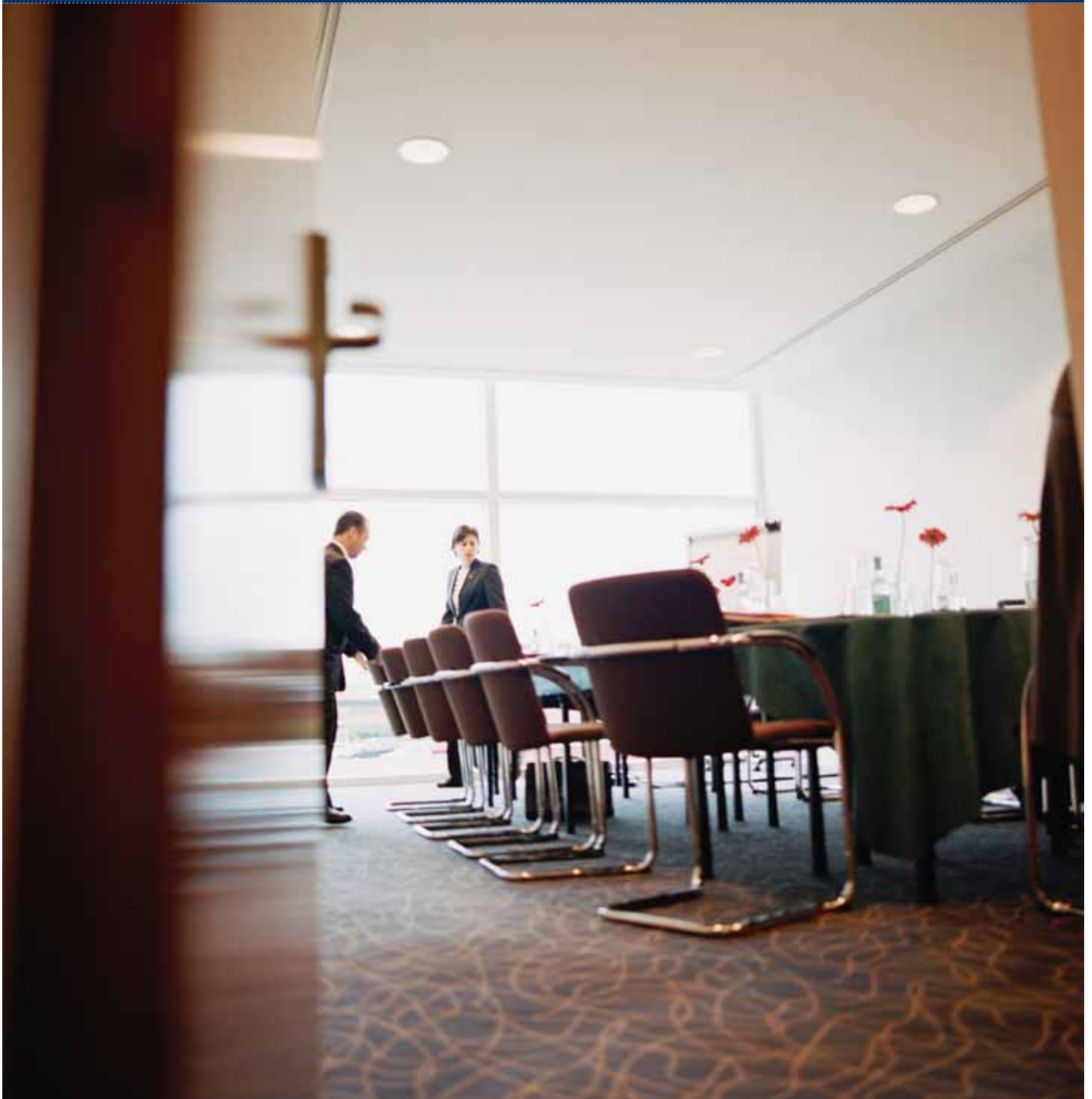


Asset and Wealth Management CEO Leadership Diagnostic

Pathway to Best-in-Class Performance



RUSSELL REYNOLDS ASSOCIATES



Asset and Wealth Management CEO Leadership Diagnostic

Overview

Individual wealth is growing at a faster pace right now, in every region of the world, than at any other period in history. As a wealth management firm, in this time of unprecedented change, you either can lead by example and surge ahead of your competitors or be left behind as a speck of dust in wealth management mediocrity. The winners will be led by visionary, dynamic and demanding CEOs who have an unwavering focus and determined discipline on delivering client-service excellence to high net worth individuals.

Wealth management continues to be a rapidly growing industry. As the first wave of baby boomers is reaching retirement, the need for integrated wealth management will only accelerate. However, the past business model, which was product obsessed, complex and reactive, has not generated growth in earnings, market share or margins. Currently, there is a proliferation of wealth managers, and no firm has more than a four percent market share.

In this environment, a new business model is emerging, which is client-centric, simplified and unique. As a result, successful private wealth management firms will require leadership with new skills, competencies and experiences. CEOs who successfully lead, grow and manage an evolving wealth management business will generate short-term earnings and long-term value. A firm that generates high growth and high value will emerge from the pack and become one of the select “bulge bracket” wealth management firms.

The focus on clients and the delivery of client-service excellence will require leaders to understand the differences among client segments, the unique needs of the individual clients and the utilization of technology to deliver quality service with scale. Successful CEOs will have both the strategic vision and pragmatic business savvy to lead, manage and grow integrated wealth management, which includes:

- 1) Investment management (strategic and tactical asset allocation, tax-efficient investment strategies, and full array of asset classes and vehicles, while offering open architecture)
- 2) Fiduciary services (financial, generational, trust and estate planning)
- 3) Liquidity management (credit, loans, foreign exchange and mortgages)

While CEOs each possess different skills and experiences, the world’s leading CEOs share a common set of characteristics that distinguish them as “best in class.” Russell Reynolds Associates, in partnership with Cambria Consulting, a thought leader in corporate competency analysis, has developed a diagnostic framework for assessing CEOs. Based on interviews Russell Reynolds Associates conducted with more than 10,000 CEOs during the past 10 years, the framework’s “best-in-class” characteristics fall into two areas:

Knowledge and Experience

The following “hard skills” are achieved through work assignments and educational training:

- Industry Knowledge
- Functional Knowledge
- Technical Aptitude
- Scope and Scale
- Geographic Responsibility (domestic, continental, global)

Personal and Performance Competencies

The following “soft skills” are achieved through situational experiences and are organized into the following four leadership groupings:

- Strategy
- Team Leadership
- Execution
- Influence

Knowledge and Experience

Ninety percent of CEOs spend their entire career in one of two “super industry” categories from which they acquire their technical and industry knowledge.

Product-Oriented Industries

Examples:

- Private Wealth Management (manage money for high net worth individuals)
- Institutional Investment Management (manage money for pension funds)
- Retail Investment Management (manage money for mutual funds)

Environment:

- Global Financial Organizations
- Pure Investment Firms
- Boutiques
- Insurance Firms
- Banks

Service-Oriented Industries

Examples:

- High Net Worth Client Services
- Family Offices
- Institutional Client Services
- Retail Client Services

Environment:

- High Transaction
- High Touch
- Design – Build – Deliver
- Global Reach/Local Touch

Personal and Performance Competencies

Independent of industry knowledge and experience, the top CEOs all share strengths in the below 11 competency areas arranged into four leadership groupings.

Setting Strategy

Creating Vision

- Focuses on defining what is or must become distinctive and best in class in the services the firm provides
- Communicates a compelling vision of the firm's goals and aspirations that engages others intellectually and emotionally
- Leads the discussion on strategy of which businesses to be in and how to win in them

Judgment

- Commits to investments and acquisitions that are consistent with the firm's mission
- Makes decisions on the direction of the firm and anticipates emerging customer opportunities
- Reorganizes the firm as necessary to position the firm for the future

Executing for Results

Driving Results

- Sets aggressive goals for the firm and individual production and holds people accountable for meeting them
- Ensures that the right processes and systems are in place to guide people in the same direction
- Supports key players by removing obstacles to performance

Creating a Performance Culture

- Engenders an atmosphere of excitement and accomplishment
- Establishes a culture of discipline without being commanding and controlling
- Weeds out those who fail to meet high standards of performance or behavior

Energy and Endurance

- Has an enormous capacity for work and maintains focus despite demanding hours and multiple commitments
- Maintains composure in situations that would be very stressful for others

Leading Teams

Building Teams

- Fosters teamwork and cooperation at all levels
- Encourages creative conflict among smart, hard-charging professionals
- Requires openness and trust among his/her management team

Managing Talent

- Is directly and personally involved in sourcing and recruiting the best talent
- Makes talent retention a high priority for his/her management team
- Maintains solid succession plans for leaders and others in critical positions

Building Relationships and Using Influence

Impact and Impression

- Has a low-key but powerful presence and does not come on so strong as to overwhelm others
- Is compelling to others through force of intellect, insight and expertise
- Understands and manages the symbolic impact of his/her words and actions

Personal Credibility

- Brings a unique combination of intellect; curiosity; and interpersonal, technical and non-technical skills to the role
- Is viewed and respected as an expert in the investment and advisory fields
- Has the credibility as an expert advisor to his/her team that deals directly with high net worth clients

Building Commitment

- Attends to the culture through personal visibility, accessibility and interest in what people are doing
- Reinforces an environment where people feel recognized, important and validated
- Fosters an organizational culture that emphasizes openness, directness and respect for the individual

Maintaining External Visibility

- Is known and respected as a spokesperson for the industry
- Plays a prominent role as the public face of the firm

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The Next Generation of CEOs

One of the obligations of being a world-class CEO is to build the next generation of investment and client-service leadership. Serving as a mentor to another executive requires a unique chemistry to exist between the two individuals prior to formalizing the mentor-mentee relationship. Over time, the mentor can help the mentee recognize his/her strengths and shortcomings against the 11 critical competencies and can provide opportunities to sharpen his/her skills. Both successes and failures are important in helping an individual learn and grow.

Because this development process takes considerable time and experience, developing a pipeline of leaders will not happen soon enough to fulfill near-term requirements. The existing pool of future-ready leaders is not large enough to meet predicted demand, suggesting that locating and assessing a body of currently available leaders who can step into these roles are high priorities.

Summary

During the past 10 years, the CEO function has morphed from a pure product-centric role to a client-focused role. While investment management remains a critical element of the private client offering, the delivery of integrated wealth management is the ultimate goal. A robust offering of investment management, financial planning and liquidity management needs to be client-centric, comprehensive, consistent and credible. The ability to build, manage and scale platforms and systems that deliver client-service excellence for each individual client's needs will be a unique, differentiating factor for growth.

The successful CEO will be able to anticipate market changes, grow and scale the business across investments, systems, platforms, client segments and geographies. Communication skills are critical in order to align the resources and people to the business strategy. Finally, the ability to measure and manage results will unify the organization and provide clarity to compensation, promotion and earnings.

As a result, having a world-class leader in the CEO function has become critically important. The members of Russell Reynolds Associates' global Asset and Wealth Management Practice have collaborated to gather their knowledge, test it against the most rigorous database analysis and make this unique body of intellectual capital available to our clients.

Asset and Wealth Management Practice

The changing complexion of the asset and wealth management industry reflects pension reform and a heightened regulatory environment, enormous intergenerational wealth transfer, growing sophistication among retail investors and unprecedented demand for transparency on all levels. New players are continually altering the landscape as clients seek sustainable sources of alpha and refuse to pay active management fees for market returns. Traditional long-only investment firms, hedge funds, investment banks and securities firms, institutional investors and plan sponsors, insurance companies and advisory firms are converging to offer new products, services and delivery platforms.

As the needs of asset and wealth management organizations grow increasingly complex, one preeminent, full-service executive search firm is uniquely positioned to anticipate and satisfy their evolving requirements: Russell Reynolds Associates. Structured as a global boutique, our Asset and Wealth Management Practice has an established track record of success in partnering with institutional, retail and private, wealth and hedge fund clients to assess and recruit:

- Members of the executive leadership team
- Seasoned investors across the full spectrum of traditional and alternative asset classes
- Marketing, sales and client services professionals and key infrastructure and risk management staffers, including executives in legal and compliance, finance, systems and technology, and human resources

About Russell Reynolds Associates

Russell Reynolds Associates is the most trusted name in global executive search and assessment. Through a global network of 37 wholly owned offices, the firm's more than 275 professionals conduct senior-level search and assessment assignments in a range of industries for public and private organizations of all sizes. With its one-firm culture, deep knowledge of major industries and unwavering commitment to client service, Russell Reynolds Associates is uniquely qualified to help clients find the best leaders. The firm's web site is www.russellreynolds.com.

George Klemp

George Klemp is a founding partner and the president of Cambria Consulting, a Boston-based resource consultancy specializing in strategic talent management and organizational assessment. His 30 years of experience span engagements in a wide range of industries, with emphasis on financial services, manufacturing, consumer products and technology companies.