

THE NEW IMPERATIVE FOR RECRUITING TALENT IN PRIVATE WEALTH MANAGEMENT

Companies in every industry usually have one thing in common: they hire for the operating environment that used to be. Nearly everyone connected to talent-management relies on the expert judgment of people—judgment perfect for the old operating environment. Talent is recruited for the world that was, not for the one that's coming.

A new world is bearing down upon financial services. In no segment is this more true than in private-wealth management. What follows is an overview of the new operating environment, the transformation already underway in PWM and the talent imperatives necessary to win in the world now being born.

One forecast we can make with certainty is the profound change in market demographics that is about to take place. In ten years the baby-boom generation will be largely retired. Gen X'ers will follow soon after. Millennials have arrived. With them comes a generational shift already reshaping the practice of wealth management. Millennials are entering their peak years for earnings, consumption and investing. They are coming not just in numbers but with documented differences in the way they think about money. As they enter the most dynamic phase of their adult lives millennials will be building college funds and retirement nest eggs. They will be looking for ways to be self-sustaining to an unparalleled degree. More than half hope to start new businesses. More than a quarter already have. To a degree unprecedented in history, they will have inherited wealth as their baby-boomer parents pass from this earth. Their need for private-wealth management services is obvious.

Millennials are digital natives. They are not merely comfortable with technology; they *assume* technology. To be specific, they assume the sorts of technologies disruptive to the traditional interface with clients and the day-to-day practice



of wealth management. New technologies are making information and analytics both ubiquitous and inexpensive. This has been true for the past ten years or more. Easy-to-use information technologies enable private-wealth managers and their clients to make sense of an explosion of data about their assets and compliance requirements. Ease of use is producing a new generation of sophisticated investors, shortened product life cycles, product proliferation and pressure on profit margins. These same technologies open doors to increased competition from traditional and non-traditional competitors, notably from full-service private banks.

One immediate implication of these changes is to do with data—where is it held and who gets access to it? Especially under new GDPR guidelines. That question goes right to the heart of the private-wealth management business, the culture of the firms that populate it, and the talent that delivers it. Expectations of transparency among clients are higher than they have ever been. Clients not only expect to see data but to be able to interact with it—to feel almost as if they are touching it. New technologies will be central in delivering on this expectation.

Consequently, just as clients expect deployment of advanced

tools and predictive investment analytics, so to private wealth management firms should employ tech driven solutions to bolster their own talent acquisition strategies. In a business where maximizing returns on human capital is so central to success, no technology will change things more than talent analytics.

One must only look at advisor turnover rates in the last four years to understand the implication of the cost of poor hires. Successful firms have begun aggressively leveraging technology to identify talent that will not only be productive on day one but who are likely to stay and prosper in the organization. In their war for talent many firms are taking the lead in applying predictive analytics to stores of data they already own about existing talent—who fits the culture, what sorts of personalities stay, which producers are most successful, which sorts of talent emerge as firm leaders.

The importance of how and *who* conducts an assessment should not be underestimated.

Senior executives who conventionally manage hiring are accomplished people. They score high on general intelligence tests, speak compellingly about their own capabilities and tend to be strong influencers. It is a set of character traits that makes for capable leaders. Paradoxically, it can also make comprehensive, accurate assessment difficult.

Going in the direction of growth is harder when the senior executives running recruitment all understand the world in pretty much the same way. Candidly, the financial-services industry is a closed network in which the same strategic worldview and the same measures of success are agreed upon. In the hiring

process management teams reflexively replicate the current generation of industry leaders. They hire the familiar. They hire themselves.

It is no secret that humans have a hard time with objectivity. Even the most modest among us value our own opinion more highly than we should. Even “experts” are susceptible to conscious and unconscious filters—and not the obvious filters either, like race and gender. Humans use filters to make quick decisions. How much simpler to check a CV for a brand-name university or an uninterrupted job history?

If the operating environment was what it once was this might

not be a problem; however, contrast the profiles of leaders at fintech firms with those of established Wall Street investment bankers. The differences in background and personality type are stark. The traditional no longer works in a changed operating environment. Nowhere is that more true than with the ability to learn and exploit the technologies already transforming the financial-services industry.

The conventional recruitment process is full of noise, to use a term of data scientists. The

noise comes from resumes, job boards and hit-or-miss personal references. Then, as we have seen, there is the human element—the interviewers. Human interviewers trust in serendipity to an unnerving extent.

The promise of Big Data solutions like predictive analytics does not lie in collecting data. The promise lies in using advanced statistical techniques to find previously obscured patterns in the data and uncover hidden value.

Lists of credentials, though, do not capture signals about talent and future performance—qualities like motivation, cultural fit, learning intelligence, comfort in collaboration and the dis-



Source: LinkedIn, Ipreo

tinctively human capacity for persistence. A paper CV or a LinkedIn profile won't surface predictive variables that none of the parties involved even realize *is* a predictive variable.

For the next 30 years, successful financial services talent will implicitly understand the intersection of technology and investing. It will be adaptable to the challenge this intersection poses to the industry's conventional revenue models. For a technology-driven operating environment financial firms will need to recruit for skill sets, naturally. That same talent must simultaneously build human relationships and think in new ways about investment products.

Given what appears to be a millennial pre-disposition toward caution, for instance, trust will be an essential quality in client relationships. The capacity for building trust beyond conventional fiduciary obligations will require formation of genuine personal relationships perhaps somewhat different from what has traditionally defined professionalism.

OGiQ's talent analytics are profoundly strategic tools. It is not hard to imagine using them, for instance, for talent "modelling" to directly address strategic questions like the probability of success for specific kinds of talent under different kinds of market risk. Or for judging the right match of talent to alternative futures for an organization—the investment patterns of millennials, say, versus those of their parents.

Predictive analytics will never wholly remove human wisdom from the talent-management algorithm, nor should they. Any algorithm is only as good as the questions it was developed to answer. Questions like, How do I hire for a demographic that's going to dominate my business for the next 30 years? This is the question most hiring managers have so far failed to answer.

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