

The Road to Becoming CEO Goes Thru Sales Dept

By Morgan M. Davis December 22, 2014

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Asset manager CEOs are no longer as investment-focused as they once were. Now, the candidates taking on the top jobs in the industry are often coming from leading sales positions.

Since the financial crisis, there has been a spike in CEO appointments in North America. While most current CEOs come from an investment background, more than half of the CEOs hired recently had never held an investment position, with firms opting for more sales experienced hires, [Russell Reynolds Associates](#) (RRA) found in a recent survey. CEO hires in 2014 include [Catherine Keating](#) at [Commonfund](#), [Doug Hodge](#) at [PIMCO](#) and [Eric Thole](#) at [U.S. Bancorp Asset Management](#).

Firms are emphasizing the client-centric nature of their businesses, and want CEOs less worried about and involved in the daily investments. “It all stems from the financial crisis,” says [Hannah Brazier](#), a member of RRA’s asset and wealth management practice. Firms are looking more at product development and differentiating themselves from the pack, she says.

“The regulatory component is definitely something on people’s minds,” says Brazier, referencing the post-2008 regulation changes. The asset management industry hasn’t been hit nearly as hard as the banks, but managers will likely face increased scrutiny down the road, says Brazier. Firms push to hire distribution executives to CEO positions in order to have people experienced in dealing with different regulations and are client-facing, she says.

Hiring today is about strategic vision and moving the business forward, says **Laura Pollock**, founding partner of recruiting firm **Third Street Partners**. Firms are making the decision about whether they want to be more of an investment or distribution focused firm, she says. A lot of asset managers are focused on gathering assets and growing their business, which may be better suited for a sales-person CEO.

“It has been traditional in the industry to promote investment people into that role [of CEO],” says **James Ware**, founder of **Focus Consulting Group**. But with the post-financial crisis challenges, “you need true leaders, not just people who know the investment business,” he says. Instead the focus of the CEO is now more on the entire business, and meeting client needs, says Ware.

“What we’ve seen fail is people who’ve gotten a degree from a well-regarded school, went to **Goldman [Sachs]** and flamed out,” says Pollock. Pedigree isn’t everything any more, she says. Asset managers want a CEO with a track record. “Culture is a big part of getting this right,” says Pollock.

To help ensure a culture fit, many firms are pulling from their own ranks. Less than a third of CEOs at the largest asset managers profiled by RRA in their survey were hired externally. Boutique firms favored internal hires even more heavily.

Internal hires are sought because of their experience with the specific firm, from products to investors to culture. Some firms may make an external hire as head of sales or distribution, or a similar position that reports directly to the CEO, with the anticipation of grooming that hire for the CEO position in a couple of years, says Brazier. Boutiques though are more in favor of hiring people that grew up with the firm, she says.

“If you find an internal candidate... then they are like the fish that’s already in the water,” says Ware.

External hires may conflict with coworkers or face more challenges when trying to implement changes, he says. Internal staff will have less to learn on the job, says Ware.

While potential CEOs can come from any background, in the future “the prevalence will be taking individuals from sales or investments,” says Brazier. Investment staff is more likely to be interested in a CEO position at a boutique asset manager where they can continue being involved in the day-to-day investment activity, than a large firm where they’ll be separated, she says. Many boutiques today are still being run by their founders, who tend to be investment professionals, says Brazier. But, “one has to surmise at some point... even

those independent boutiques will need to move away from the default that they need a CEO that is an investment professional,” she says.

The emphasis on succession planning varies greatly by the firm, but has gotten more attention since the financial crisis. At larger firms, boards may require having a succession plan in place, says Brazier. “In 2010, a lot of firms thought long and hard about succession planning,” says Pollock. For year-end reviews, “it’s a very powerful message to say, ‘we’re looking at you in succession planning,’” she says. Hiring someone is always about looking at what role they’ll be suited for next, says Pollock. Firms should think five years ahead if a CEO may leave and ready accordingly.