

# Does asset management have a corporate culture problem?

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By Anna Devine

Corporate culture has been a talking point across the banking industry for years but is now increasingly seen as vital for risk management, staff retention and success among fund firms.

John Nicholson, chairman of psychology consultancy Nicholson McBride, says: “Culture has certainly become important in the world of asset management.

“You just need to look at the impact that Neil Woodford’s announcement [on scrapping bonuses] had. It really is trailblazing stuff and effective at communicating culture internally and externally.”

“Culture is on the agenda of firms because the regulator has made it clear they are focused on [this area],” adds Alistair Woodland, partner at law firm Clifford Chance.

In the UK for example the extension of Senior Managers Regime regulation to all financial institutions in early 2018 will force fund houses to clarify responsibilities “in a much more rigorous way”.

Christian Milam, founder of the Organisational Culture Excellence Awards, says culture is an “important differentiator” when attracting investors.

It is also one of the top five reasons people choose to work at a company, he says.

Mr Milam says: “Great culture is a place where there is a sense of trust through all peers of the organisation from the leadership down.

“If leaders are not displaying [certain set values and behaviours espoused by the company] then people can get disenchanted.”

Paul Cook, chief executive officer of people analytics firm Alderbrooke, says staff attrition levels are a typical indicator of poor culture.

“With asset managers in particular, we have found that people often leave firms because they feel ignored. This is made worse in firms with a hierarchical culture dominated by a single portfolio manager,” he says.

Tim Wright, partner at PwC, says corporate culture is a “major talking point” among fund firms.

Poor culture is increasingly seen as a “serious business risk”, both operationally and commercially, and has prompted some to take action.

According to Mr Wright, a number of firms have undertaken programmes related to improving corporate culture.

“Initiatives around improving investor protection, disclosure requirements and the Senior Managers Regime all help,” Mr Wright says.

BNP Paribas Investment Partners for example says its employee training programme seeks to help to address challenges related to culture. The programme covers topics such as behaviour in the workplace and unconscious bias.

A spokesperson for BNP Paribas IP says one of the biggest hurdles to cultural change at an organisational level is “changing [the] mindsets and behaviours of those within it”.

Mr Wright says that although empirical evidence shows some areas such as transparency and diversity “need work”, asset management does not appear to be particularly lacking when it comes to corporate culture.

Saker Nusseibeh, CEO of Hermes Investment Management, disagrees, however.

“Absolutely there is a problem [with culture in asset management],” he says.

“It partly stems from a refusal to put the interest of clients first and partly from concentrating on being 'parts' suppliers rather than problem solvers.”

David Stolin, professor of finance at Toulouse Business School, who recently co-published a study on proxy voting by asset managers, says the industry is reluctant to vote against its peers, making it “all the more interesting when they do”.

Aviva Investors recently refused to support several resolutions at Liontrust Asset Management, complaining about non-independence of the chairman, director attendance and excessive remuneration.

Mr Stolin says: “Given how rare it is for a fund manager to oppose a single resolution, let alone several, does Aviva think Liontrust’s problematic resolutions stem from, or at least correlate with, problematic culture?”

“Ultimately the change in culture has to come from the management of the firms and be part of their positioning themselves and the industry as a value-add service provider that maintains its social licence,” says Mr Nusseibeh.

Naim Abou-Jaoudé, CEO of Candriam Investors Group, adds: “The asset management industry calls for strong values to form the foundation of conduct.”

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