



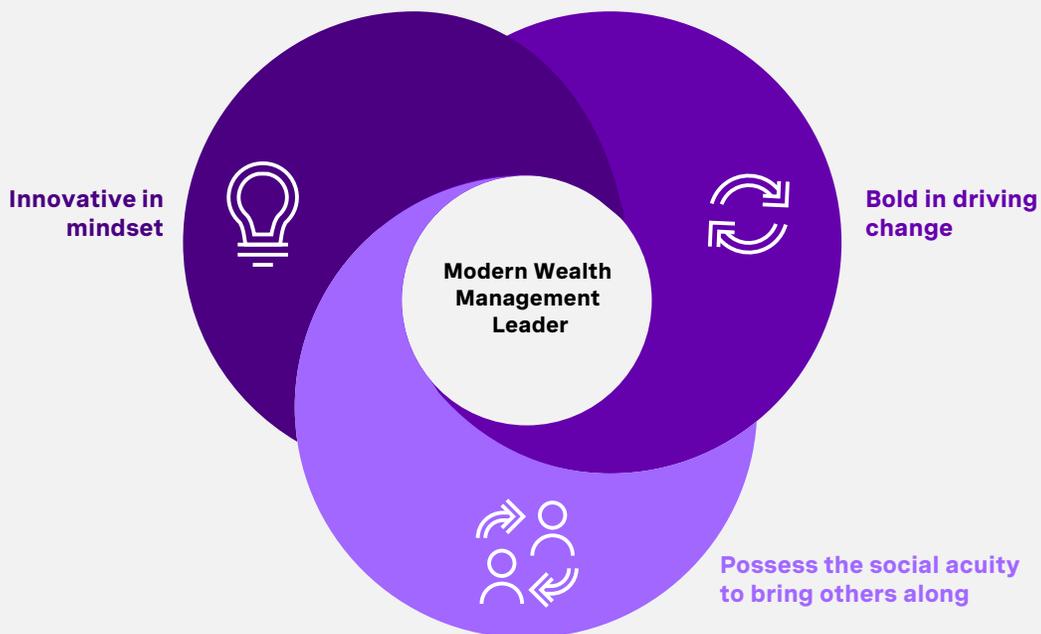
The Modern Wealth Management Leader

The global wealth management industry faces a period of both immense promise and momentous, digitally-led change, requiring modern leadership.

We are amidst the largest intergenerational wealth transfer in history. The wealth management industry is expected to grow near \$230 trillion globally by 2030, intensifying competition and innovation to attain greater scale.¹ This wealth transfer has had significant impact on a broad spectrum of stakeholders - from advisors, clients, and senior leadership teams to banks, broker-dealers, private equity (PE) firms, registered investment advisors, retirement firms, wealth managers, and WealthTechs. Moreover, these stakeholders must also navigate strategic challenges spanning economic uncertainty, geopolitical risk, and the availability of talent/skills.²

Having said this, the long-term outlook for PE interest in wealth management looks strong: while limited partners have signaled their intent to either maintain or increase allocations to the wealth management industry, general partners have \$3.6 trillion in dry powder that could be deployed to take advantage of opportunities in this space.³ Key stakeholders in the industry are positioning themselves for what comes next, from seeking strategic partnerships - with PE or adjacent industry partners - to enhancing their digital capabilities.

Figure 1



Organizations at the forefront of leadership and transformation are those orientating their culture and organizational structure towards enabling and engendering modern leadership characteristics (Figure 1). These perspectives are reinforced by our psychometric analysis of wealth management leaders globally.

To further bring this to life, we explore in more depth:

- Existing wealth leaders display modern leadership characteristics
- When considering strategic partnerships, understand how wealth leaders differ from other financial services leaders
- Digital differentiation is key for a new generation of leaders

RRA's psychometric analysis of wealth management leaders is conducted in partnership with Hogan Assessments.

Existing wealth leaders display modern leadership characteristics

Current senior wealth management leaders are already well-equipped to conceptualize and drive change. They are also well-suited to succeed based on their personalities and leadership attributes.⁴

First, these individuals score quite similarly to digital transformation leaders.⁵ They are innovative, with an inclination to generate new ideas; ambitious and bold in driving change; and socially proactive and attuned to the needs of diverse audiences. The combination of an aspiration to learn and evolve, with a desire to bring others along for the journey, makes wealth management leaders well-suited to strengthen their businesses to meet the changing needs of clients.

“The industry will leverage digital technologies in an almost ubiquitous way. Tech will be completely embedded in how we serve and engage with clients, without replacing the human connectedness that is the foundation of wealth management.”

- President, wealth management firm



Second, wealth management leaders exhibit several characteristics that set them apart from broader financial services leaders and position them to lead wealth businesses through the changing market landscape. These leaders are:

1. **Empathetic towards clients & colleagues:** focused on the 'greater good,' these leaders show an overwhelming desire to do the right thing for clients & colleagues
2. **Commercially oriented:** fiercely commercial and keen to make financially sound decisions that set the business up for continued success
3. **Collaborative & extroverted:** dynamic, energetic, and magnetic, wealth management leaders draw others in, positioning them to effectively engage a range of clients and stakeholders throughout the change journey

To build on their existing strong positioning while positively influencing their broader organizations to unlock future growth, wealth management leaders must be well prepared culturally, organizationally, and technologically in creating digitally enhanced, financial planning experiences in an increasingly personalized and digitally-led environment.

“There’s lots of talent and innovation in wealth businesses; the challenge is structuring our organization in a way that enables these individuals to shine and challenge the status quo.”

- CEO, global wealth management firm

When considering strategic partnerships, understand how wealth leaders differ from other financial services leaders

Innovating at scale and making investments both at the talent and technology level is key to future success, as well as talent acquisition and retention. Compared to broader financial services leaders, we have observed that modern wealth management leaders demonstrate key personality differences, better informing the range of partnerships with cross-industry leaders needed to bring holistic financial planning capabilities to clients across wealth segments.

- 1. Asset management leaders:** show a similar desire to learn and evolve, with a shared emphasis on data-driven decision making, though are more reserved than wealth management leaders. In recent client work, we observed that asset management leaders are increasingly leveraging wealth management as an additional revenue stream. Wealth management leaders' experience in serving retail client segments neatly complements asset management leaders who are more accustomed to institutional clients.
- 2. Investment banking leaders:** display a similar commercial nous, but otherwise bring a very different leadership profile. Investment banking leaders are more analytical, transaction-driven, and process-oriented, creating an interesting tension given the growing need to partner together for ultra-high net worth/family office services. Organizations with both wealth management and investment banking arms are struggling to effectively position the growing family office segment. Despite this challenge, we have seen success in establishing joint ventures, as clients often come from wealth segments.
- 3. Insurance leaders:** show a similar customer orientation and sense of drive, though may feel drawn to more traditional ways of thinking and working. Insurance chairs and board members have reaffirmed the trend of leveraging wealth management not only as an additional revenue stream, but also as an opportunity to expand product offerings to insurance clients in the ultra-high net worth segment.

- 4. Consumer and commercial banking leaders:** tend to display similar levels of engagement to wealth management leaders, most closely aligning to this talent pool. Consumer and commercial banking leaders often consider the ways in which 'sticky' products can create longevity in their customer relationships. In fact, we see a consistent trend of talent moving from consumer and commercial banking to wealth management. For large, global institutions, these talent movements swing back and forth.

When considering whether a partnership is right for their businesses and clients, leaders should ask themselves - and ensure their boards hold them accountable to - whether they have an open-minded culture that maximizes the impacts those with different leadership profiles can bring to the table.

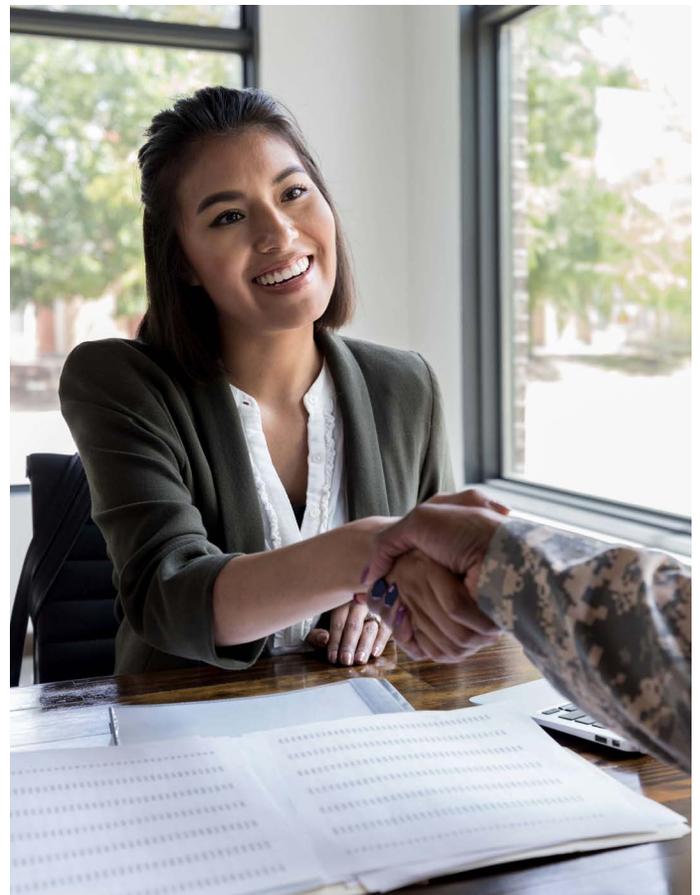


Figure 2

Digital battleground: Build vs. Buy vs. Partner

Modern wealth management leaders who embrace the digital agenda now have significant opportunities to enhance their client offerings. When discussing future business opportunities with both CEOs and boards, robust digital capabilities are essential to attract and retain younger and entrepreneurial clients as they seek greater yield, optionality, and control over their financial future. From personalized products to the interoperability with other financial institutions, key wealth management organizations are looking at a variety of options to compete in this digital battleground, be it building, buying, or partnering to expand their digital aperture, retool operations, and improve organizational culture and innovation.

Banks continue to view wealth management as a growth engine - indeed, the industry is expected to grow by \$254 billion by 2030, doubling 2021 revenues¹ - due to its capital efficiency and recurring revenue streams. Increasingly, banks are succeeding in migrating large swathes of the incumbent's customer base and data to additional services - effectively creating an integrated platform. As a result, over the last 24 months, most global financial institutions have boosted their digital prowess and entered new markets with digital wealth management business models.

Select examples of recent acquisitions across wealth management



Source: RRA Analysis 2022 ⁶



Digital differentiation is key for a new generation of leaders

The wealth management industry has a broad client spectrum, ranging from mass affluent to ultra-high net worth, that leaders are increasingly focused on portfolio strategies that can effect change and establish a purposeful legacy, all while producing meaningful returns. The digital battleground (Figure 2) will demand improvements at all levels to ensure resiliency to withstand the ever-changing competitive environment; to meet this challenge, organizations need to adapt to allow modern wealth management leaders to make bold business decisions, as the modern leadership traits identified can quickly become devalued if their business does not evolve and grow rapidly.

Success stories from other progressive industries, such as technology, have proven that organizations that make long-term capital commitments to provide scalable, high-tech, and high-touch models through the right blend of digital capabilities and human advice will successfully flourish. They will have a greater chance of success in accruing substantial value, while also creating a purposeful legacy alongside the next generation of investors. As a result, organizations keen to capitalize on these learnings have begun to reach into technology organizations for their future leaders. For example, Hargreaves Lansdown PLC has recently appointed technology experts in both the CEO and the Chief Client Officer roles.

“Digital transformation not only requires an understanding of tech and data, but also experience of different organizational structures and ways of working.”

- CEO, asset management firm



The future of the modern wealth management leader

Modern wealth management leaders are well-equipped to handle fast-paced industry transformations. This is supported by our proprietary psychometric analysis that shows best-in-class, modern wealth management leaders demonstrate the following complementary traits:

- Innovative in mindset, bold in driving change, and possess the social acuity to bring others along, displaying many of the same characteristics ascribed to digital transformation leaders.
- “Productive Disruptors,” suggesting they are not only equipped to handle change, but also likely to be change agents.

Therefore, in wealth management’s future, industry leaders - executive or non-executive - need to take an honest look at whether their talent, culture, and organizational structure are all well positioned for the changes ahead. When assessing their businesses, wealth management firms should consider:

- How do their leaders stack up in terms of their transformational leadership attributes?
- How do their current culture and organizational structures enable leaders to be successful?

- How do they know what their clients are seeking? How does that inform their decisions?
- Do they have the requisite digital capabilities? If not, how are they developing or acquiring them?
- In M&A situations, what are they doing to improve, reinforce, or sustain the culture(s)? How are they evaluating new talent and creating an environment in which different styles can thrive?

While we believe the future of wealth management looks promising, the present landscape does not offer a clear path to success. To ensure that they do not get left behind some of their more progressive rivals, wealth managers need to not only develop their digital capabilities, but also empower their bench of talent to culturally, organizationally, and technologically capitalize on the opportunities ahead. Those that succeed will do so by enriching existing talent, cultivating a culture and organizational structure for success, and optimizing strategic partnerships to unlock competitive advantages for market share growth. In short, they need to be modern leaders.

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Sources

¹ Bain & Company, [In a New World: Time for Wealth Management Firms to Shift Course 2022](#)

² Russell Reynolds Associates, [Global Leadership Monitor 2022](#)

³ Financial Times, [Private Equity Pursues Investment Advisers for Returns and Fresh Capital 2022](#)

⁴ Russell Reynolds Associates, Psychometric Assessments of Global Wealth Management Leaders 2022

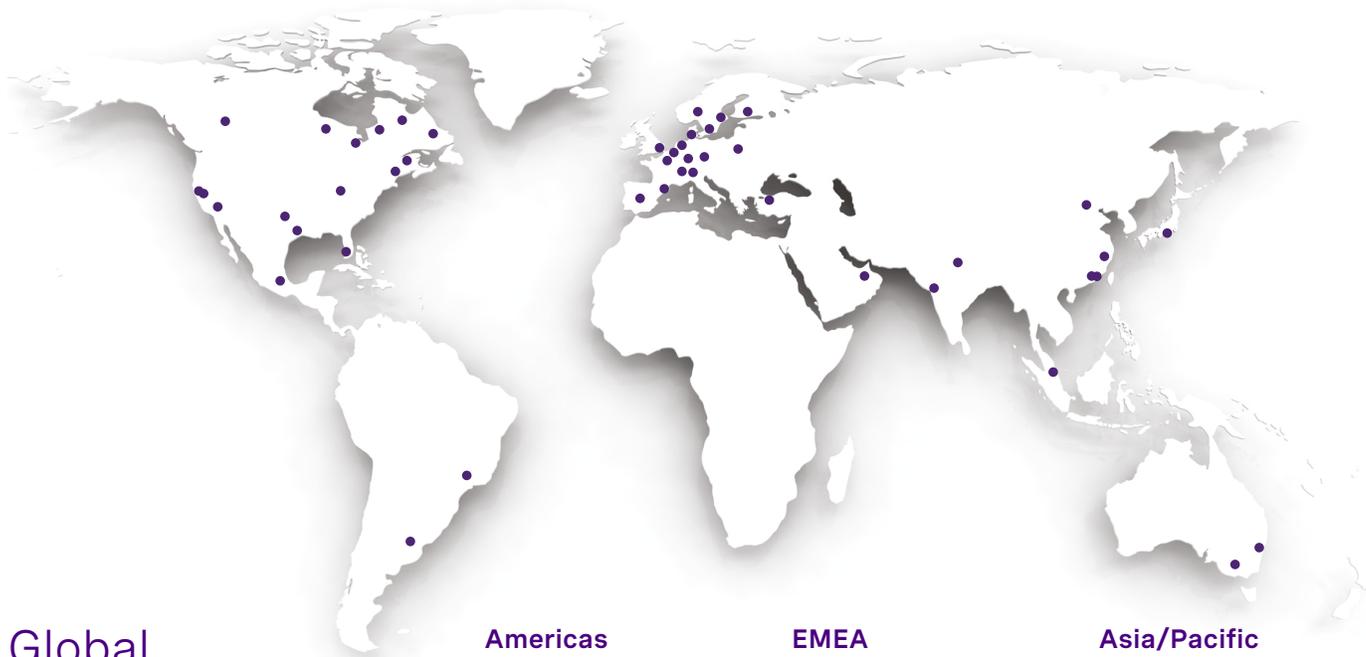
⁵ Russell Reynolds Associates, Psychometric Assessments of Digital Transformation Leaders 2014

⁶ Russell Reynolds Associates, Selection of M&A Activity in Last 24 Months

About Russell Reynolds Associates

Russell Reynolds Associates is a global leadership advisory firm. Our 600+ consultants in 47 offices work with public, private, and nonprofit organizations across all industries and regions. We help our clients build teams of transformational leaders who can meet today's challenges and anticipate the digital, economic, sustainability, and political trends that are reshaping the global business environment. From helping boards with their structure, culture, and effectiveness to identifying, assessing and defining the best leadership for organizations, our teams bring their decades of expertise to help clients address their most complex leadership issues. We exist to improve the way the world is led.

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