Brown Brothers Harriman

C-Suite
Asset Manager Survey

Outsourcing, efficiency improvements, and new product developments accelerate industry change

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Executive Summary

Chris Remondi
Partner

Personal hardships, a contentious U.S. election, travel restrictions, and, at the root of it all, a global pandemic — there is a lot about 2020 that we would like to forget. But, in spite of — or perhaps because of — these obstacles, I would like to think that we've also learned some valuable lessons as we've collectively navigated these tumultuous times.

As this stormy year comes to a close, we at BBH thought it would be instructive to bring together prominent industry voices to hear their perspectives on the uncharted challenges presented to us by 2020. So we embarked on a mission: interview asset management leaders — CEOs, CFOs, COOs, and senior executives — to see how managers are coping and get their view on the future outlook for the industry. I, along with several other BBH Partners and senior relationship managers, met with over 50 C-suite leaders in the U.S., Europe, and Asia over the span of several months. In the course of these conversations, we captured quantitative responses from a standard set of questions, as well as qualitative feedback from around the globe across the spectrum of assets, strategies, and geographic locations.

The results of our conversations validate an opinion we have held since the beginning of the crisis: we are amidst a transformative time in our industry. For years, global asset managers have felt the pressure from a myriad of challenges. Fee compression, compliance and regulatory changes, low organic asset growth, and rising technology costs fueled by rapid innovation have all weighed on asset managers. Enter the COVID-19 crisis, which accelerated the pace of many of these challenges. More than 50% of respondents plan to reduce expense ratios on their products. And most cite the economy as their greatest concern in the current environment. Many managers, understandably, are looking even harder at cost, operational resiliency and efficiencies, and new product opportunities to respond to changing market dynamics.

At the same time, asset managers have discovered that their business models are more adaptable than previously assumed. The pandemic has demonstrated how efficiently companies can function with remote workforces, leading firms to reimagine the workplace of the future. The experience of operating with more than 90% of staff working remotely has put office space, client and prospect engagement, and marketing plans under greater scrutiny.

In our analysis of the survey results, we explore many of these themes and other topics that were front of mind for those we interviewed. We hope you find our insights helpful and we look forward to discussing the results in a variety of upcoming fora. Meanwhile, please let us know your thoughts. We look forward to continuing the conversation.

Methodology

BBH held senior-level discussions over the past few months with

50+ CEOs, CFOs, COOs, and senior executives.

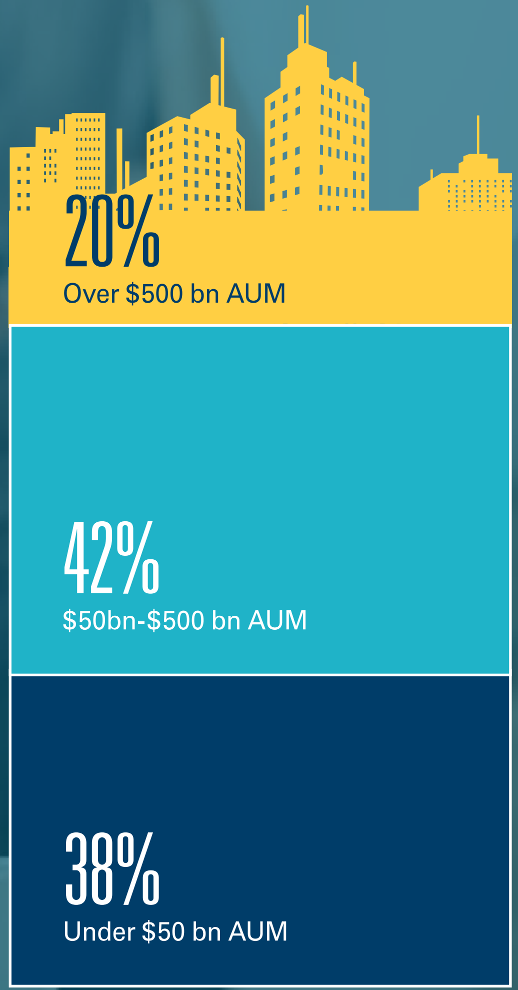
The respondents represent a wide spectrum of global asset managers including large, multinational asset allocators and smaller, boutique firms. In aggregate, these C-suite interviewees oversee more than

$18 trillion

assets under management (AUM), in a variety of strategies, domiciles, and wrappers, and more than

115,000 global employees.

Overview of our respondents



Key Findings

The Challenge

Expense ratios

52% of asset managers are planning to **reduce expense ratios or fees** in the next 12 months.

The economy and revenue retention

61% said the economy is a top concern.

45% cited sales efforts/ revenue retention.

29% said productivity is a top concern.

How to drive down cost

75% of global asset managers are changing the way they allocate capital as a result of the COVID crisis.

49% are looking to reduce real estate expenses.

The Response

New strategies

35% of respondents said they are evaluating new strategies for product development: **ETFs / Alternatives / SMAs** Some will boost performance by optimizing **securities lending, FX**.

Data and the middle office

57% of asset managers are looking to improve their data abilities. **38%** identified the middle office as an area to drive efficiency.

Outsourcing

30% of global asset managers are more likely to consider outsourcing functions than a year ago

A New Way of Working

Digital engagement

72% of global asset managers have increased the cadence of client engagement since the start of the crisis, using digital channels

Remote work works

77% of asset managers transitioned to remote work seamlessly at the start of the crisis. **23%** said there were early challenges but are now running smoothly

Q2 2021 return to office

48% believe at least half of their employees will be able to return to the office in **Q2** 2021. Many will allow **flexible work** arrangements when they do return.

The Challenges

For asset managers, 2020 has presented a series of significant obstacles. The early months of the COVID pandemic brought outsized volatility to the market, while the latter part of the year has been marked by the uncertainty of the U.S. election. The ever-present challenges faced by asset managers – competition, product fee reduction, rising technology costs, regulatory and compliance changes – have only intensified.

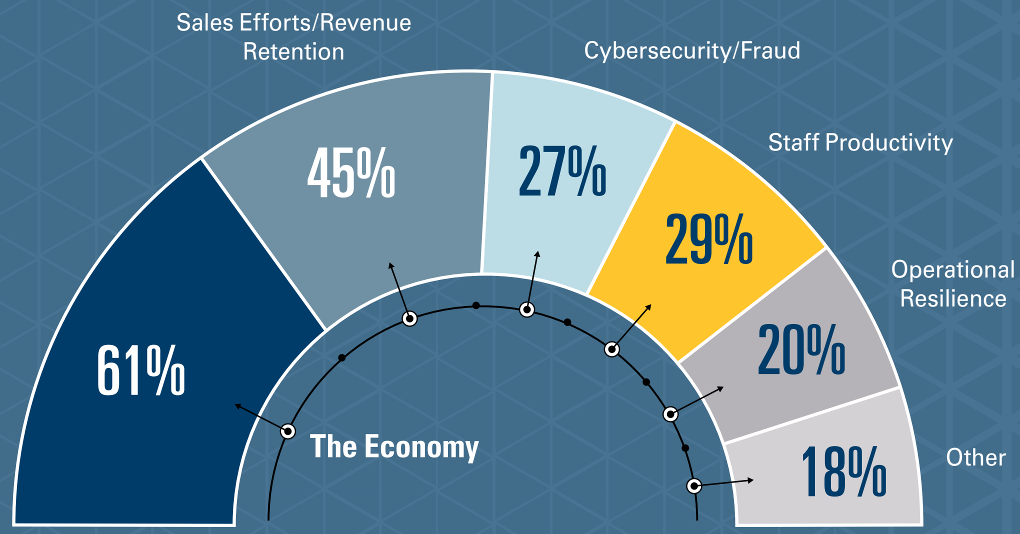
The economy is a chief concern for global asset managers

75% of global asset managers are changing the way they allocate capital as a result of the COVID crisis.

61% of managers in our survey said the economy was a top concern amid the COVID crisis. And it's no wonder – the outlook is particularly hard to discern. On the one hand, U.S. economic activity rebounded in the third quarter from depressed levels earlier in the year, growing by an annual rate of 33% in the third quarter. But that was still far below the level reached in 2019.[1] In the Eurozone, GDP rose strongly in the third quarter, up 12.7% from the previous quarter, but the output remains well below Q3 2019 GDP.[2] Although we did not ask about outcomes from the U.S. election, many pointed to it as a key economic indicator for the months and years to come.

Sales efforts and revenue retention also commanded a heavy response from CEOs, CFOs, and COOs. At the height of volatility in March, one respondent found themselves "constantly looking at the numbers" to forecast client outflows – a task they said was made harder without the aid of predictive technology like artificial intelligence (AI). One other manager put it simply: *"It's hard to sell (particularly new sales) with no in-person meetings and conferences."*

What are your top concerns related to the current environment?
(Select two)



Are you looking to change the way you allocate capital to projects?

What we heard:

"The political environment is high on the list of concerns and goes hand-in-hand with the economy."

"We're having a strong sales year, but the economy (low interest rates) really impacts our revenue. Revenue retention is key."

"Continuing fee pressures are a concern when it comes to revenue retention – it is no longer acceptable to simply pass along operational fees."

[1] CNBC, U.S. GDP booms 33.1% rate in Q3, better than expected, October 29, 2020.

[2] ICIS, Eurozone Q3 GDP up nearly 13%, still far from pre-pandemic level, October 30, 2020.

Please note: All quotes in this report are paraphrased and anonymized from the 50 interviews conducted and are not for attribution.

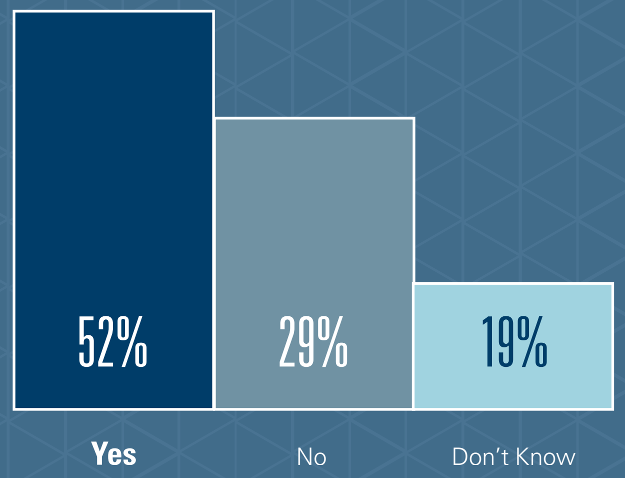
Driven by competitive pressures, fee reduction continues

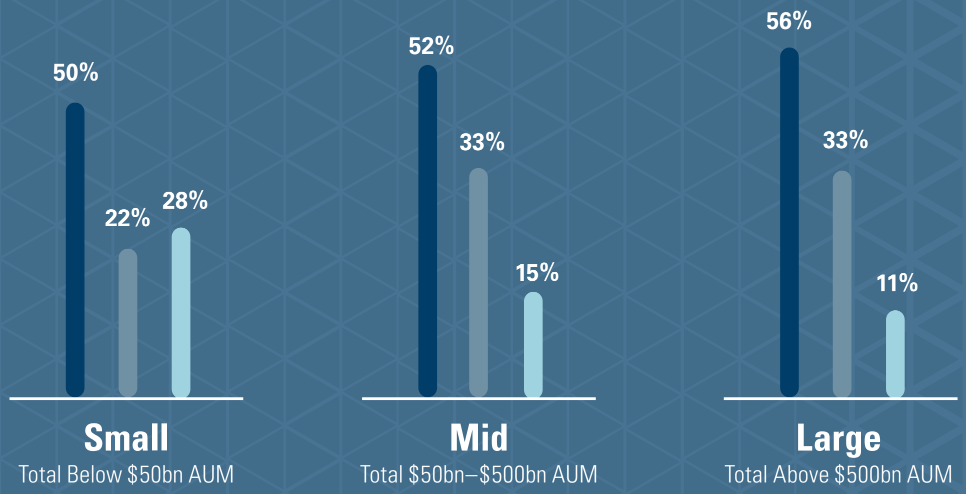
More than half of asset managers are planning to reduce expense ratios or fees in the next 12 months.

Despite relatively robust inflows – even amid an ongoing crisis – asset managers continued to face intense pressure on fees. The fee compression comes mainly from two sources: increased competition spurred by large scale asset managers and increased transparency around costs. These pressures will likely continue: 52% of surveyed respondents said they plan to reduce expense ratios on some of their products in the coming year.

Expense ratio reduction is fairly consistent across the board regardless of the size of the asset manager — 56% of large firms said they are planning to reduce this year, compared to 50% of small firms and 52% of mid-sized firms. But many are taking a methodical approach to reducing fees on their products, evaluating where they can slash expense ratios and where they can maintain. While expense ratios are a top consideration for some investors, many of the asset managers we spoke to believe high-quality products that can add alpha will be sought after even if the products come with a higher cost basis.

Over the next year, do you plan to reduce your expense ratios/fees on any of your products? (Total)





What we heard:

"We're taking a targeted approach to fee reduction – we'll likely reduce on a competitive basis, but not across the board. Our focus remains on launching high-quality products people will pay for."

"We think some strategies, like active equity, will be under pressure, and we will need to follow the industry."

"We are in the midst of a more deliberate fee review to compare our products to the broader market."

The Response

It goes without saying that this year has challenged the way asset managers operate. Like many industries, asset management was not immune to the widespread disruption of having nearly all their employees go remote overnight. Staff productivity, core technology, and even the way businesses interact with clients were all put to the test this year. But resiliency appears to be a common thread: asset managers swiftly embraced this new way of working, launching new products, seeking new distribution channels, and engaging with their investors in new ways.

Asset managers are pivoting to new strategies and reducing expenses

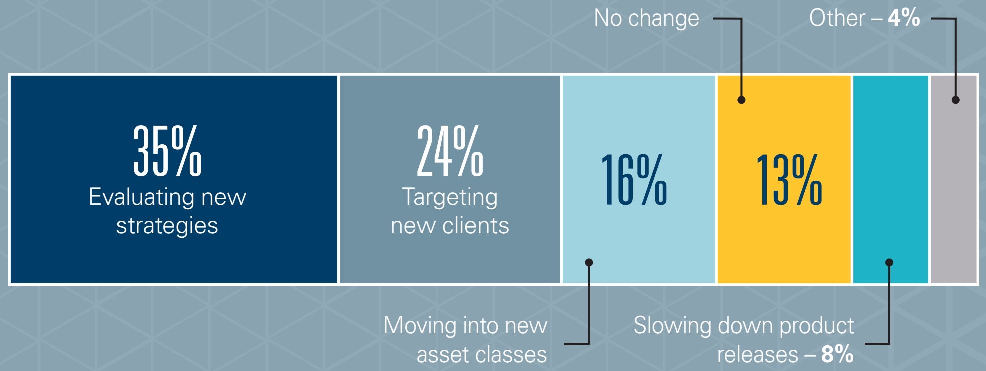
35% of respondents said they are evaluating new strategies for product development.

Across our conversations, one theme consistently emerged: most are proactively evaluating new ways to meet customer demand. One respondent put it simply, "We don't want to do anything that damages our brand. But there's a lot on our table for consideration – new distribution models, wrappers, and even client types."

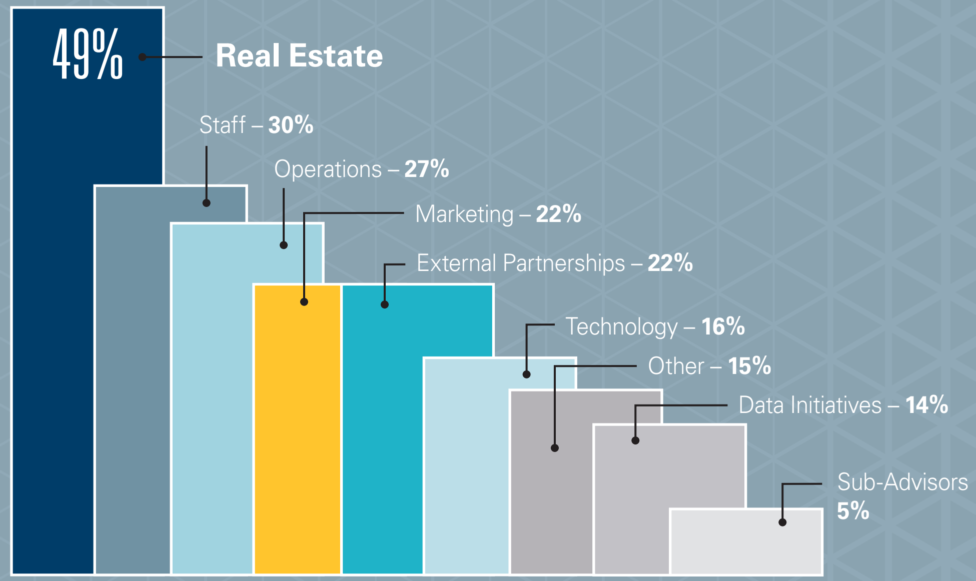
Surprisingly, few respondents said they would slow down product releases. This shows the resiliency of their operating models — despite adverse market conditions and employee dislocation, many did not put their product development plans on hold. Several managers talked about evaluating their current products and identifying areas where they could expand those existing products to new markets. One strategy that came up repeatedly was in the area of environmental, social, and governance (ESG). Many expressed the notion that ESG has always been embedded in their philosophy and investments, but they haven't necessarily received credit for it.

Expense reduction is also top of mind for asset managers. 49% of asset managers said that real estate was the top area they would look to reduce expenses this year. Asset managers with a larger real estate footprint – particularly those with thousands of employees – expressed a greater desire to cut real estate expenses. 75% of asset managers with $500 billion AUM or more said they are looking to reduce real estate expenses, compared to 40% of small firms and 43% of mid-sized firms.

How are you approaching product development in the current environment? (Select all that apply)



What areas are you looking to reduce expenses the most in the next 12 months? (Select two)



What we heard:

"If you asked in March, I would have said slowing down releases, when other issues were taking up bandwidth. It's amazing how quickly we were able to get to 'normal'."

"We are focused on ways to package our product differently, using different vehicles and developing new structures for existing strategies that we think will benefit our clients and prospects."

"ESG is a huge focus – we think it is aligned with a long-term investment strategy."

ETFs remain a core component of their product suite

63% of respondents either have ETFs or are looking to enter the market.

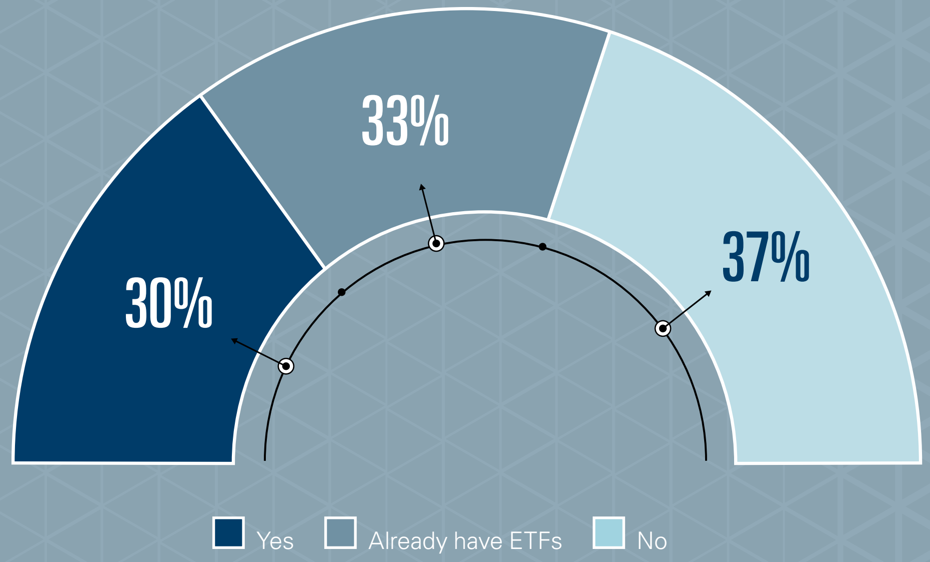
One of the lessons of the recent wild ride in equity and bond markets over the course of this year is that both retail and institutional investors have increasingly relied on exchange-traded funds (ETFs) to implement their investment responses to the crisis. During the most volatile stretch in March, ETFs accounted for 40-45% of total market trading in the U.S. and 30-35% of activity in Europe.[3] This highlights the fact that during bouts of market volatility, we should expect that investors of all stripes will turn to ETFs to adjust their portfolio exposure, particularly fixed-income ETFs.

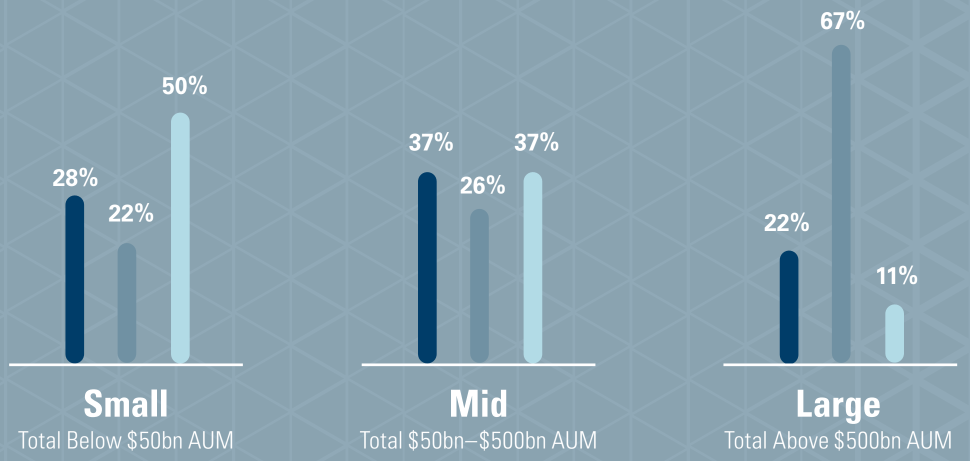
An illustration of how crucial ETFs have become to market players: In the U.S., ETFs added a record $300 billion worth of assets this year, now totaling $4.7 trillion.[4] Globally, the ETF market eclipsed $7 trillion in assets by the end of September.[5] The biggest inflows were in fixed income ETFs, with U.S. bond ETFs reaching $1 trillion in AUM in October, up from $793 billion in October 2019.[6] Bond ETFs were 21% of the overall ETF market, while equity ETFs represented 73% and other categories were 6% of the total.

For asset managers, particularly active managers, this presents an opportunity to diversify their product offerings to meet clear investor demand. Many large asset manager respondents already have a strong representation in the ETF market – 89% currently have ETFs or are looking to enter the market.

Thanks to recent SEC approvals, U.S. managers now have options to limit their portfolio holdings disclosure, while taking advantage of the lower cost and tax efficiency of ETFs. We expect these so-called semi-transparent ETFs to usher in a whole new crop of asset managers to the ETF market.

Are you considering adding ETFs to your existing suite? (Total)





[3] ETF.com, ETF Inflow Positive Despite Virus, March 2, 2020

[4] ETF Logic, A review of 2020 ETF and Mutual Fund Flows and Trends, October 2020

[5] ETFGI

[6] iShares, U.S. Bond ETFs hit $1 trillion AUM, October 16, 2020

What we heard:

> "We continue to look at our ETF product lineup, particularly in the active equity space."

> "Dividend focused ETFs and ESG are two areas we'd like to explore."

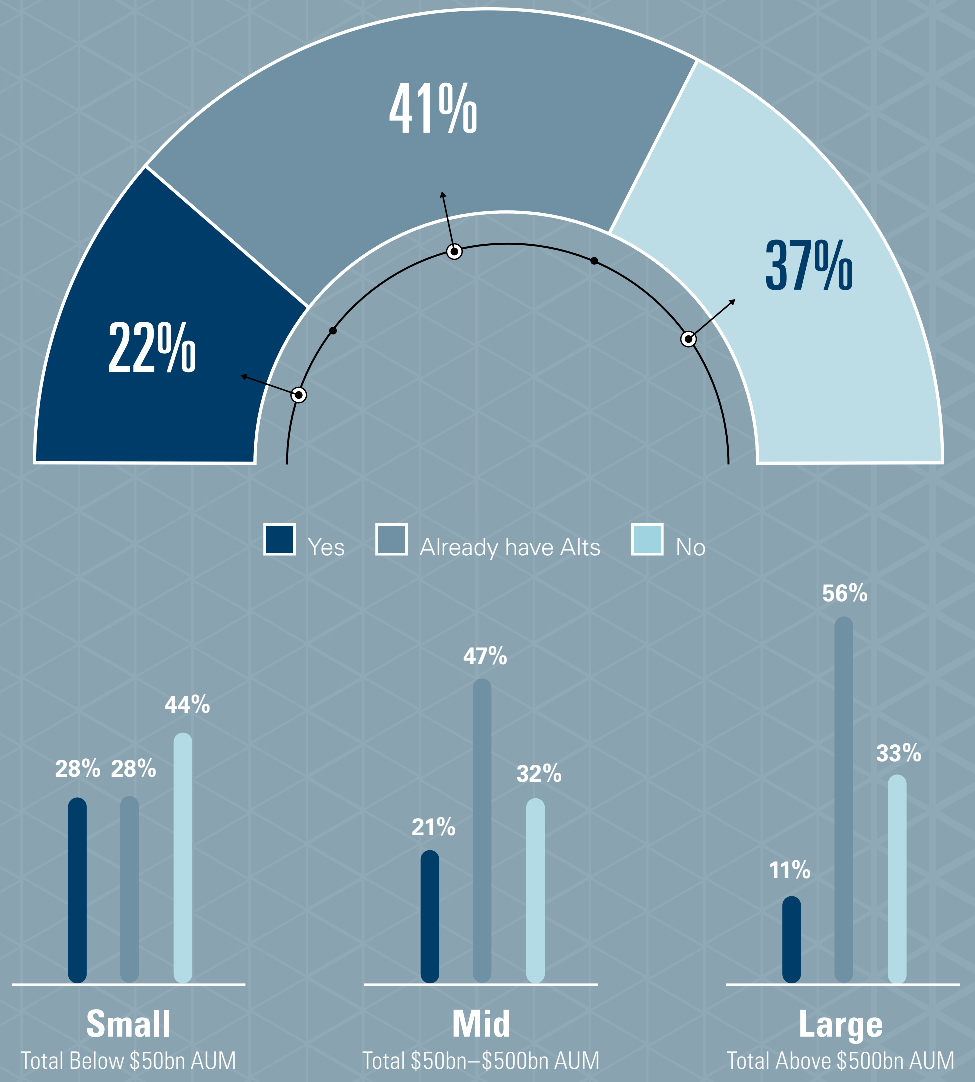
Higher margin products, like alternatives, are gaining widespread favor

63% of respondents either have alternatives or are looking to enter the market.

It appears the investor search for yield has led many asset managers to launch alternative funds. The appeal of alternatives is threefold: they offer product diversification, a recurring revenue stream stemming from longer-term capital commitments, and higher margins. On the point of higher margins, a study by Oliver Wyman recently said that alternatives account for just 1/10 of global asset management assets but contribute over 30% of revenue.[7] That is expected to grow to 40% by 2025. As passive products like ETFs continue to accumulate assets – in some cases to the detriment of active mutual funds – alternatives, by in large, aren't competing for the same wallet share. In this way, they are poised for further AUM growth and will likely remain higher margin products.

Some survey respondents remarked that private debt, real estate, and private equity are particular areas of opportunity. They also expressed interest in distressed debt vehicles and 'dislocation funds' – which makes sense given the depressed valuations of many companies as a result of the crisis. The range of opportunities for alternative investors is also widening thanks to regulatory guidance in the U.S. In June, the SEC and the Department of Labor (DOL) released guidance allowing participants of 401(k) plans to invest in private equity through qualified designated investment alternatives, which could mean hundreds of billions of dollars of potential opportunity for managers.[8]

Are you considering adding alternative products to your existing suite? (Total)



[7] Oliver Wyman

[8] The Retailization of Private Equity: A Conversation with CAIA CEO Bill Kelly, Brown Brothers Harriman, 2020

What we heard:

"Alternatives is an increasingly viable option – if a fund can add value meaningfully, people will pay more for alpha."

"We're looking at how we can access the HNW market for Alts."

"We are seeing more interest globally – the majority of our new Alts product launches are in non-US domiciles."

Most are using SMAs

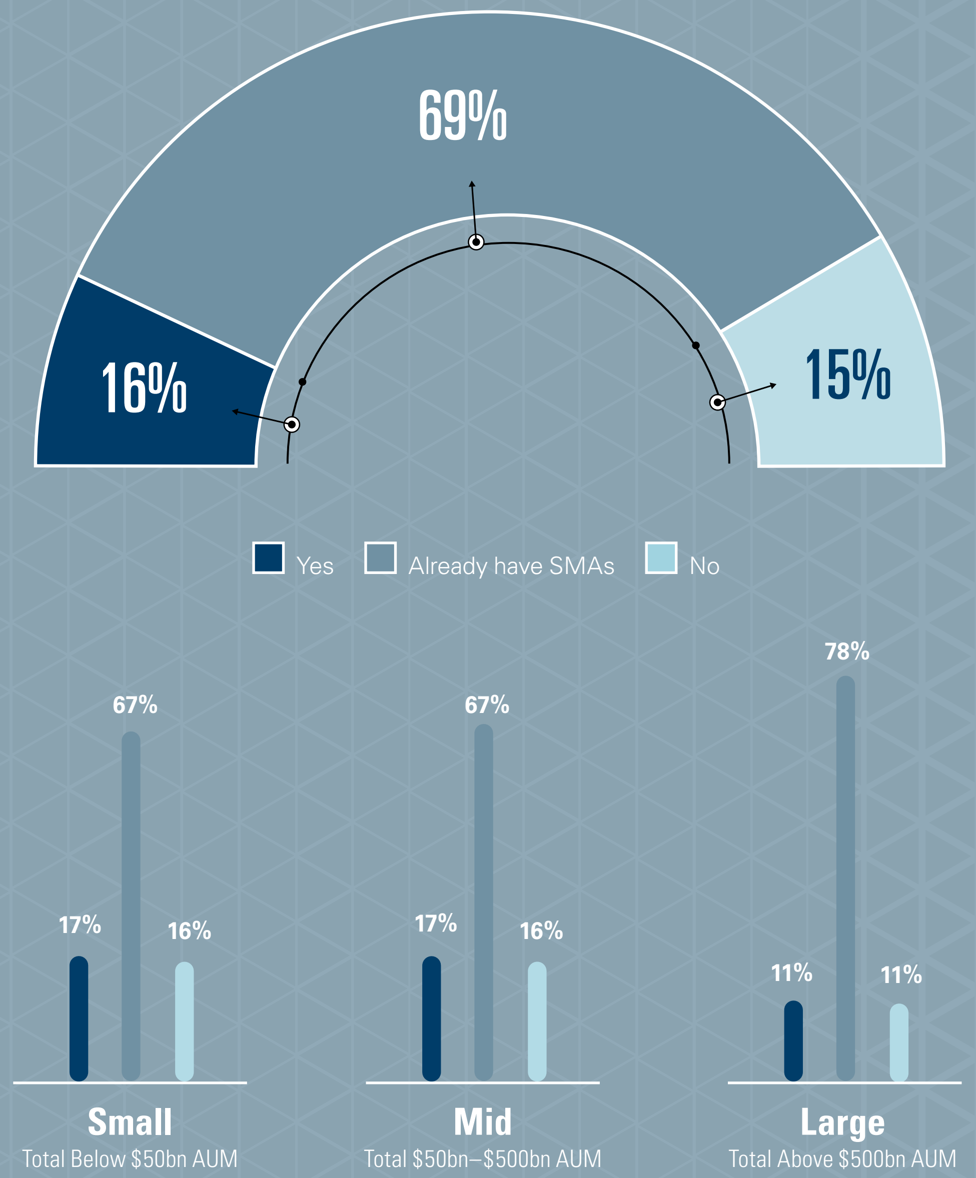
85% of respondents either have SMAs or are looking to add SMAs.

Separately managed accounts (SMAs) are hardly new, but the balance of power has shifted such that investors are increasingly requesting to invest in strategies via SMAs instead of traditional funds. Why the recent shift? Some respondents cited efficiency and flexibility, particularly for more illiquid funds. 85% of respondents either have SMAs or are looking to add them to their lineup. In fact, nearly everyone who talked about SMAs noted it as either an area where they wanted to do more or an area of success they wanted to build on.

Through an SMA, asset managers can create customized solutions for their clients. Investors favor these vehicles because they can deploy capital quickly – no need to wait for a manager to raise a fund. By going this route, asset managers can create bespoke strategies by fine-tuning risk exposure to certain asset classes, currencies, or cash flow patterns.

When broken out by size of firm, large firms have the most exposure to SMAs – 78% already have SMAs, compared to 67% of small firms and 67% of mid-sized firms.

Are you considering adding SMAs to your existing suite?
(Total)



What we heard:

"We're seeing consistent demand in the SMA space, with greater desire for customization, including ESG."

"SMA's have been one of our fastest growing areas over the past five years."

"We continue to see significant growth in SMA's and requests for new mandates."

Many are using securities lending to boost performance

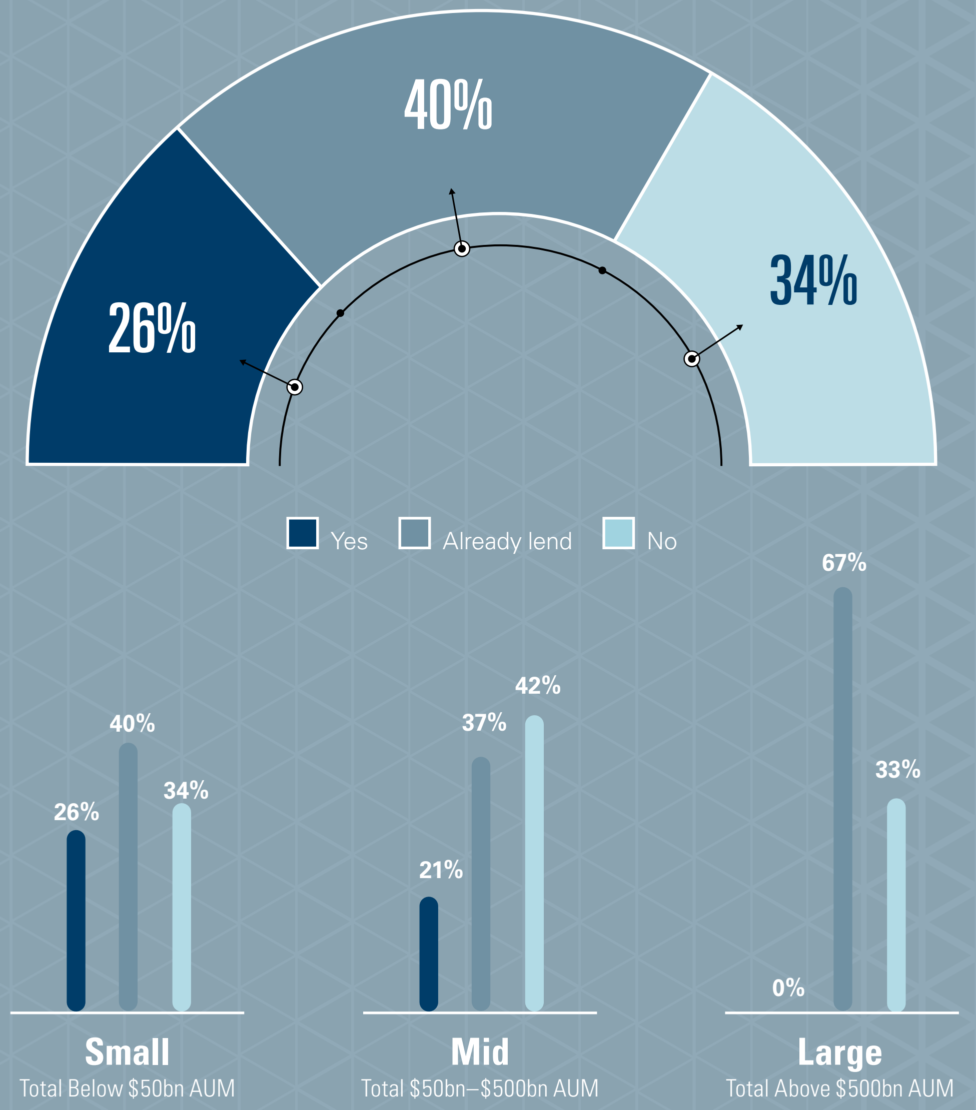
66% of asset managers lend or are considering lending.

Against the current backdrop of a challenging investment environment and increased margin pressure, securities lending has become more relevant for asset managers as a way of reducing the impact of fees on performance, protecting profit margins, and improving fund returns. In the past 12 months, global securities available to loan grew to $24 trillion and generated $8.9 billion dollars in total revenue.[9]

The interest has been particularly relevant for passive fund managers and ETF issuers who can use securities lending to offset fees to improve tracking error. That's why 99% of ETF funds in the United States lend their securities.[10] Interestingly, actively managed asset managers, who have historically deemed the practice as immaterial to their business, are increasingly looking to securities lending to help boost performance.

Securities lending has also become an important attribute to asset managers' front office activity. Many respondents said that securities lending has become more integrated in their fund investment strategies and sales and distribution models. Respondents also highlighted the increasing trend towards ESG investing, noting that thanks to better market data, which leads to improved decision making, a fund can still lend and meet its ESG objectives while delivering additional value to its investors.

Are you considering engaging in securities lending to increase the performance of your existing products? (Total)



[9] DataLend

[10] Morningstar

What we heard:

"If a fund doesn't lend now, it will in the future."

"Securities lending is still very much on our radar – we are working on building internal momentum and buy-in."

"We'll be looking more closely at lending. There's certainly a new internal push to review revenue estimates and we recognize lending could help us."

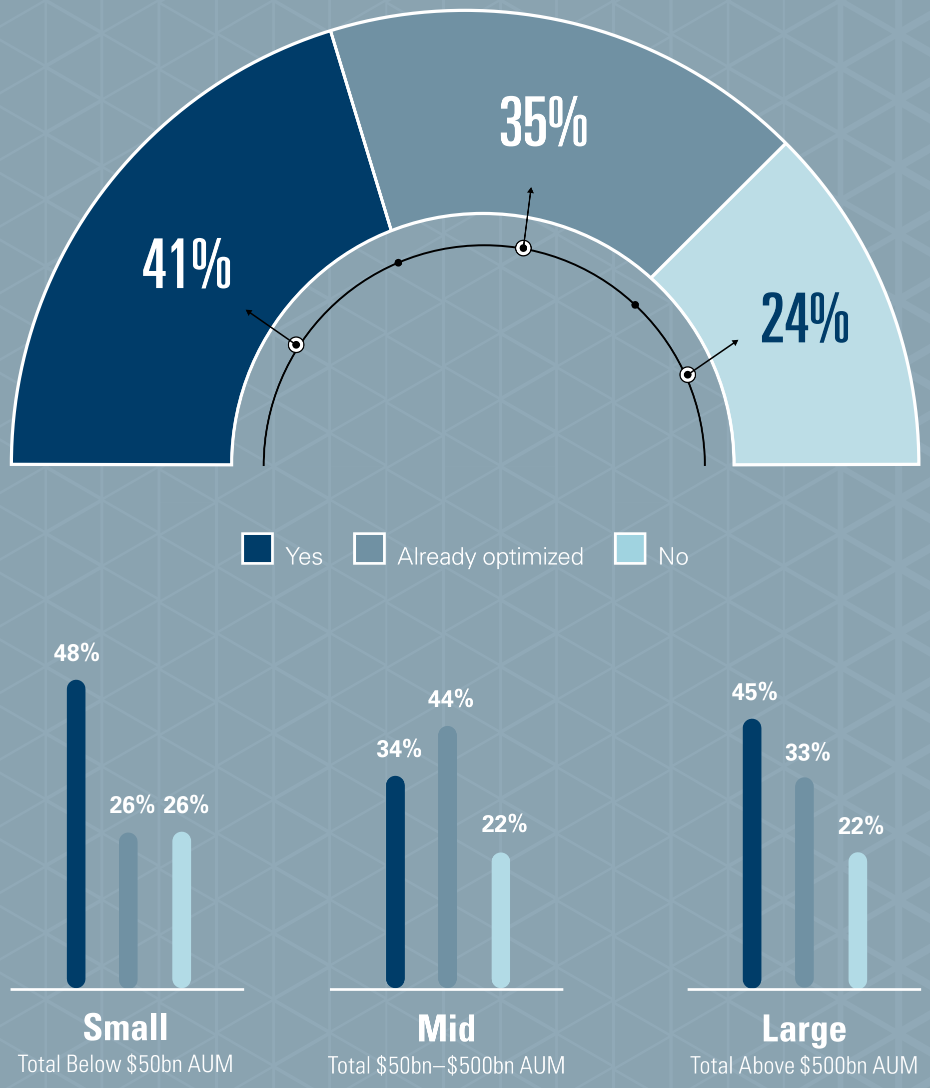
Managers are improving FX and trading executions to bolster performance

41% of managers are looking at how to optimize their FX executions this year.

With increasing pressure on performance and effectively managing investor costs at every stage of the investment process, many managers are scrutinizing the effectiveness of their execution processes relating to FX, fixed income, and equity activity. Two thirds of respondents admitted they haven't already optimized their approach, with 41% saying they will review their approach to FX or FI/Equity executions this year to help boost performance. This is even more pronounced for smaller asset managers where half of respondents plan to look at ways to improve their execution.

Respondents need to retain control, transparency, and oversight of their FX processes, but doing so within the overall objective to streamline their operating model and avoid inefficient and distracting processes in-house. To that end, a significant number of managers are assessing the use of external third-party specialists that fully automate FX processes such as those supporting security-related activity, or rules-based hedging strategies that help support distribution and investor choice. Critical factors to consider in making these assessments include the quality and accessibility of transparency that is available from the providers, the robustness of the operational processes underpinning the execution, and the flexibility to customize programs to portfolio needs.

Are you planning to assess your FX and trading executions to help bolster performance of your existing products? (Total)



What we heard:

"While we're always trying to make our trading operations more efficient, it's even more important in this environment."

"We're anticipating more market volume and volatility, so this is an important area for us."

"We are consistently looking at FX spreads/rates, including ongoing 3rd-party TCA, which is reviewed with our oversight committees."

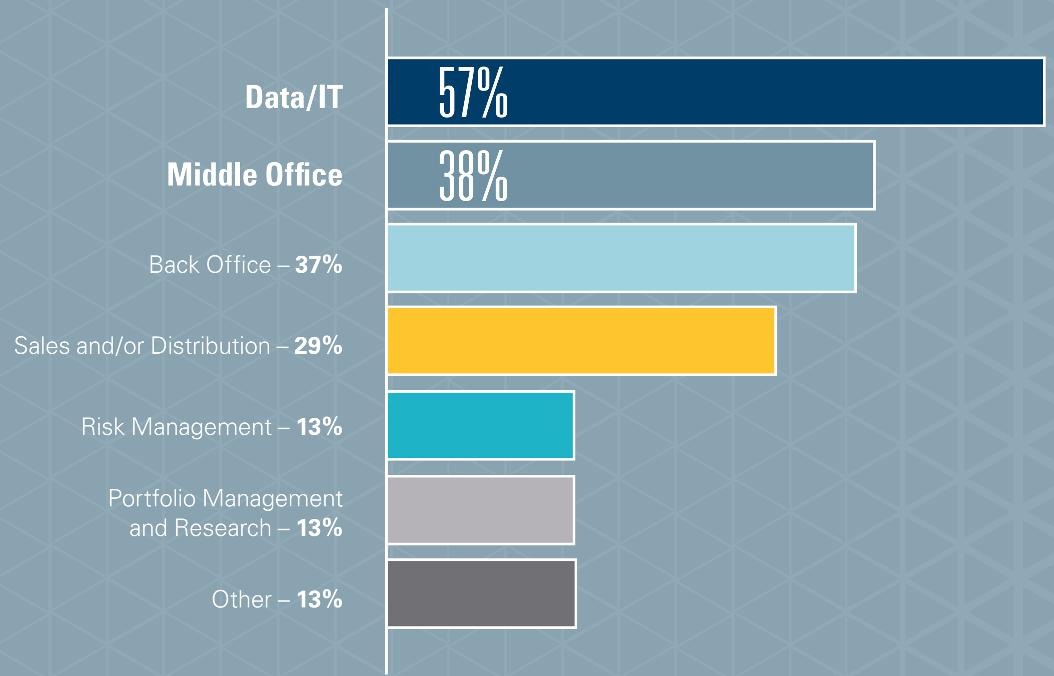
Managers are targeting data/IT and the middle office for efficiency improvements

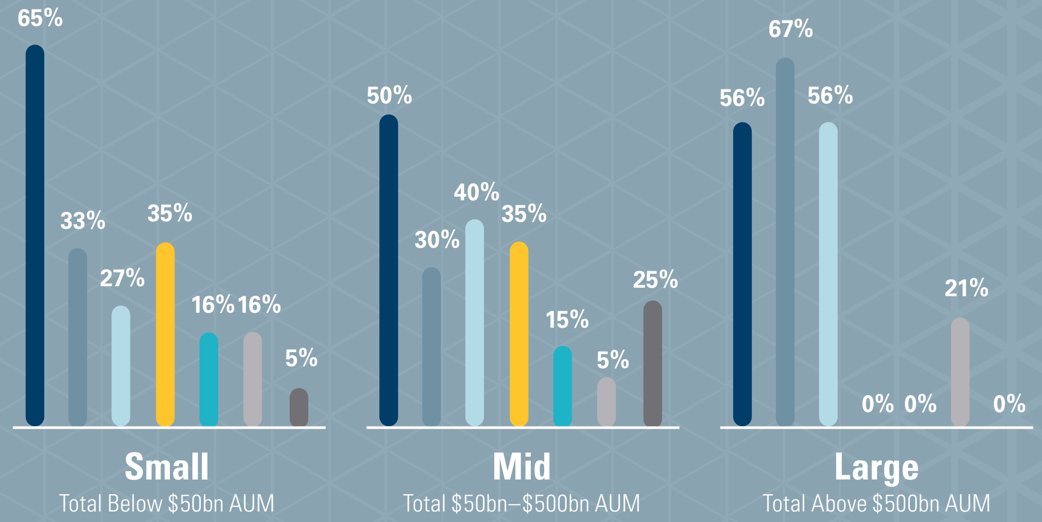
More than half of respondents are looking to improve their data capabilities. 38% would like to improve their middle office to enhance efficiency.

To address eroding margins, and ready themselves for expansion into more complex products, asset managers are naturally looking to streamline and digitize their operations. Among surveyed respondents, 57% said they are looking to improve their data and technology abilities and 38% identified the middle office as an area to drive efficiency. Several managers relayed in our conversation the need to focus less on commoditized enterprise technology solutions and more on their core competencies.

For large firms, the greatest opportunity to improve operational efficiency appears to be in the middle office. 67% of large firms highlighted the middle office as their top target for efficiency improvements, followed by the back office 56%, and data and IT 56%. Conversely, 65% of small firms chose data and IT as their top way to improve operational efficiency.

Which areas are you most likely to target for operational efficiency improvements? (Select two)





What we heard:

"Our focus is on manual processes. How many hours can we save through automation?"

"Optimizing our data is how we will achieve operational efficiency."

"Data is a big inhibitor to what we want to do – more efficiency will come from our progress there."

"We have done a lot, but data remains a challenge."

Outsourcing is on the rise

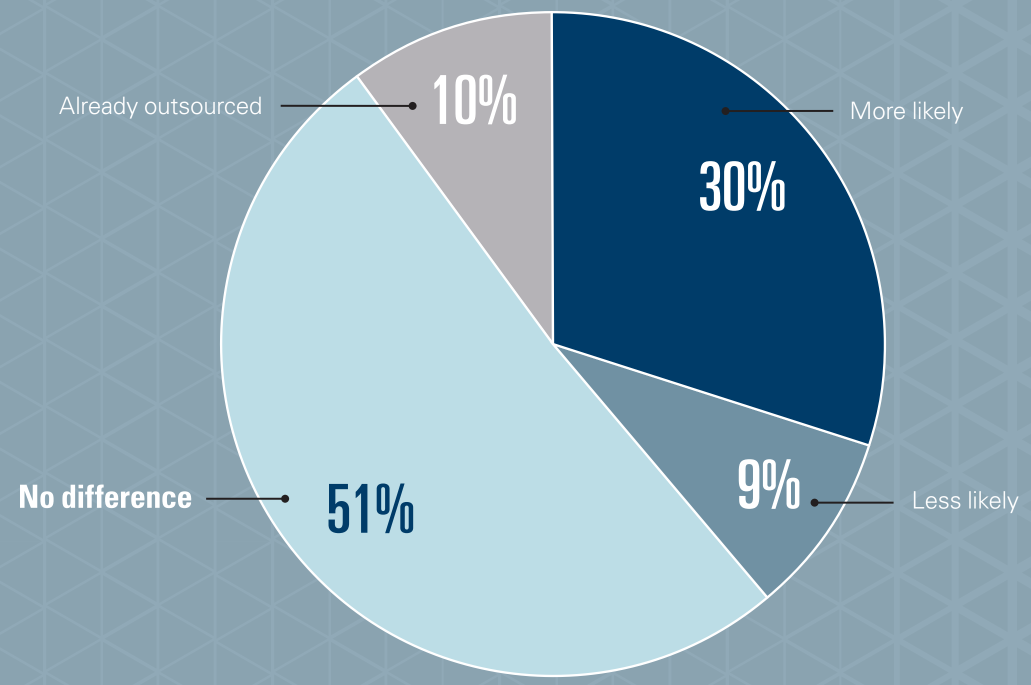
30% are more likely to outsource than a year ago.

Outsourcing has been a growing trend in recent years as firms seek to replace fixed costs and legacy infrastructure with access to specialist providers who can deliver expertise and scalable technology. 30% of respondents are more likely to consider outsourcing functions than they were a year ago. Only 9% said they are less likely to outsource this year than a year ago.

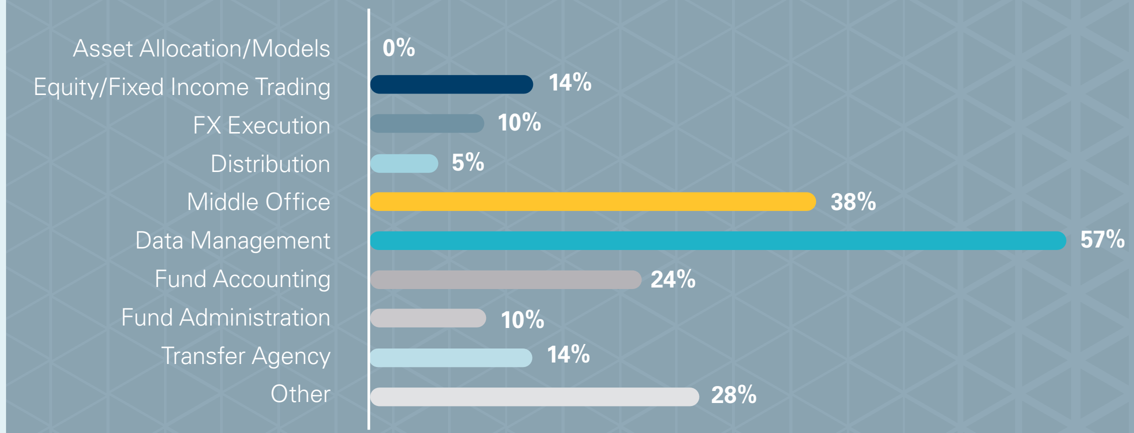
As firms consider how to finance and execute these projects in a constrained environment, many respondents said they are placing a greater focus on modular implementations, starting with one or two functions and adding more over time. We are observing an increase in large ($500 billion) managers outsourcing trade management, reconciliations, and post-trade data integration as they look to access more durable and scalable infrastructure, and free up internal resources. Data integration and management is key to this story and was the top area managers would consider to outsource (57%), followed by middle office (38%).

Based on our conversations, we believe data and middle office outsourcing is in some ways symbiotic: asset managers will continue to outsource middle office technology/services and invest in solutions such as IBOR that can provide high quality, timely, reconciled, and aggregated data that can be used across their enterprise from investment decisions through to risk, compliance, performance measurement and client reporting. Eliminating the inefficiencies caused by reinputting, reconciling, and aggregating data residing across multiple systems remains the holy grail for asset managers.

Are you more or less likely to consider outsourcing functions than one year ago?



If more likely, what areas are you most considering outsourcing?



What we heard:

> "Understanding what we are good at and finding the right partners to support us in other areas is critical."

> "We think about outsourcing as augmenting our internal capabilities, to achieve scale that can account for peaks and valleys. Outsourcing gives us the ability to ramp up and ease back when needed."

> "Our experience has shown us that component outsourcing is better than a 'Big Bang'."

A New Way of Working

2020 saw the world change seemingly overnight. With little time to prepare, firms across the globe sent their entire workforces home to work remotely. Business continuity plans (BCP) were tested to an extent that few could have foreseen. And while the learning curve was steep, asset managers quickly acclimated to the new work environment. Ultimately, this shift has helped to propel our industry into the future. Remote work has become more ingrained into the culture of the industry and digital sales strategies have adapted to the constraints of social distancing. It stands to reason that many of these changes will persist long after this era.

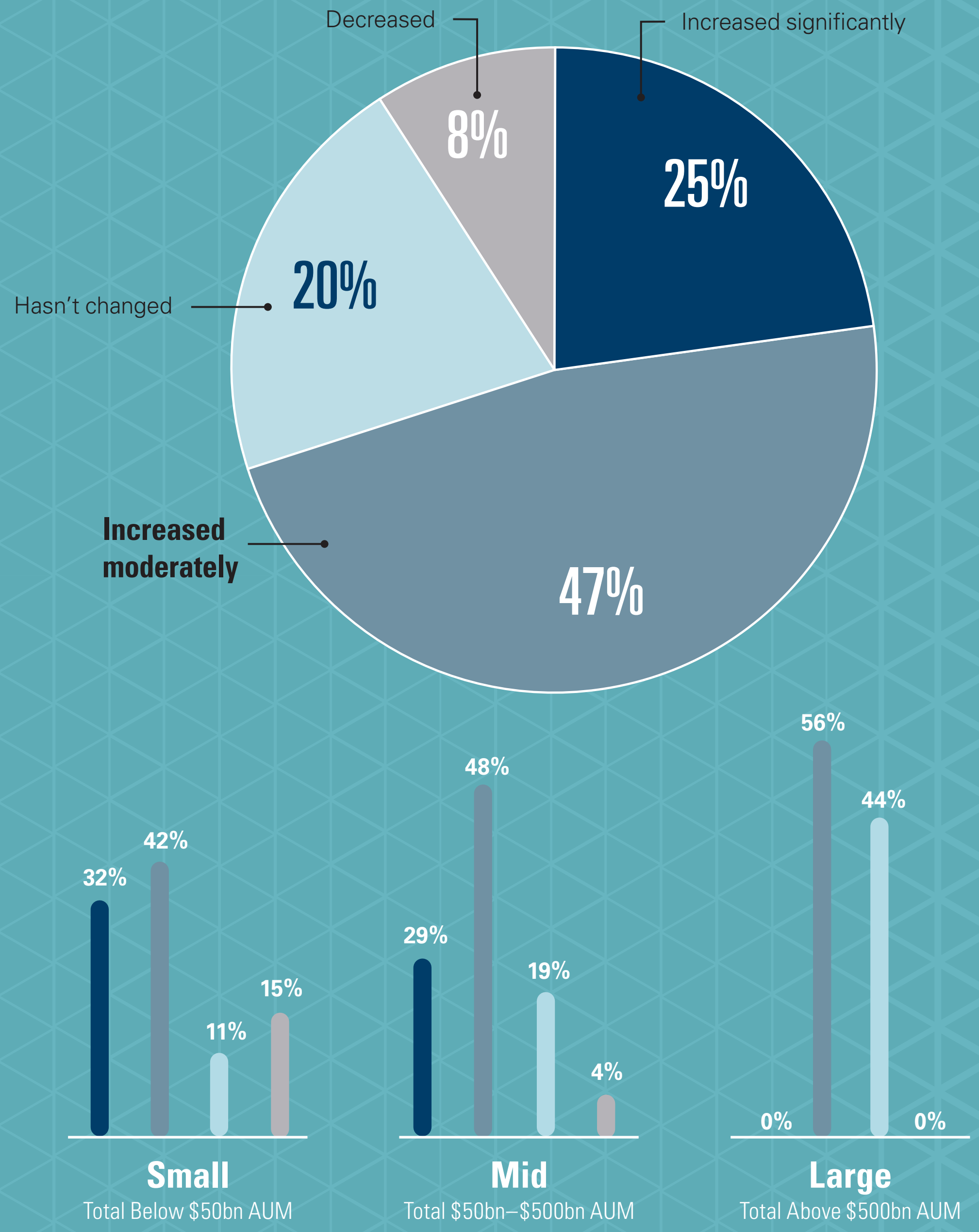
Most have ramped up investor engagement in spite of the restrictive environment

72% of global asset managers have increased the cadence of client engagement since the start of the crisis.

Although many respondents talked about the success they were having engaging with clients through digital channels (blogs, webinars, targeted marketing, etc.), there was also a recognition that everyone – to a certain degree – is pursuing similar strategies. Video conference fatigue is a genuine concern, and many felt they needed to differentiate to ensure they are delivering value in those interactions.

We also heard from a few that were questioning their existing engagement model based on the success of digital. Why do they need to spend so much on travel, if they can be more efficient and just as effective with video conferencing?

Has the cadence of your engagement with your clients changed since the start of the crisis? (TOTAL)



What we heard:

"We've focused on research, webinars, white papers, and digital marketing in lieu of in-person engagement."

"We are using VC effectively and lack of travel means we can be more efficient."

"We now have the ability to reach our entire financial advisor network with one call, which used to be impossible. Our goal is cadence with substance; based on the success, we might not go back."

"In the early days of the pandemic, clients would listen to everybody – now, we see fatigue setting in, so you need to make sure you bring value to the interaction."

Remote work could be here to stay

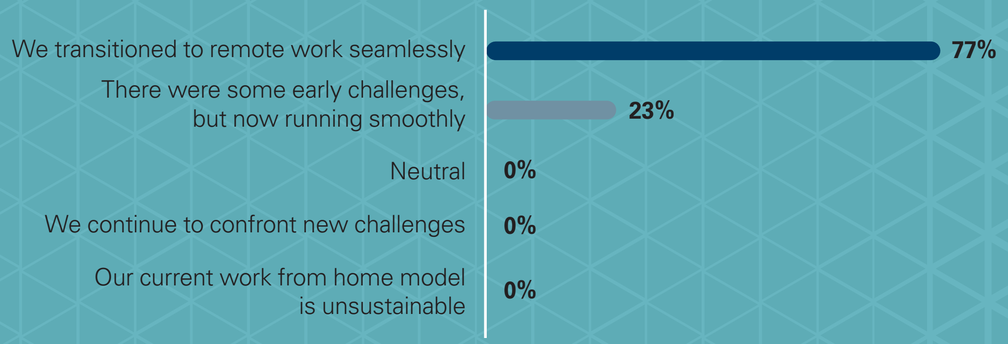
Most asset managers had no problem transitioning to remote work.

77% of asset managers transitioned to remote work seamlessly at the start of the crisis. 23% said there were early challenges but things are now running smoothly.

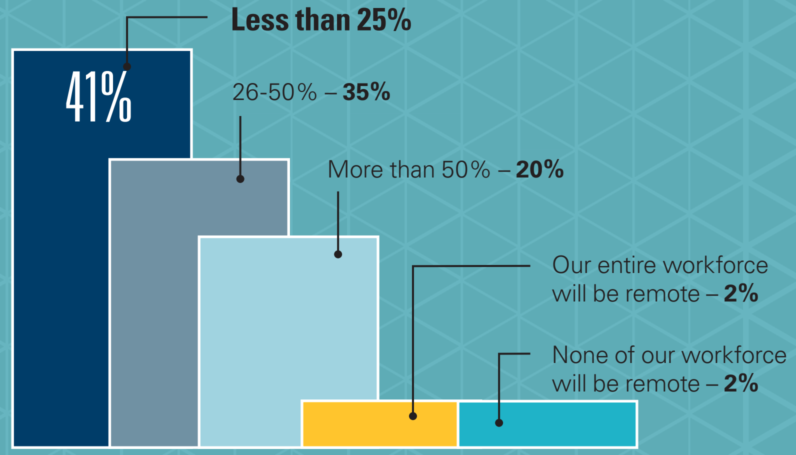
What is clear is that the COVID era will have a lasting effect on employment practices in the industry. Just 2% of firms surveyed stated that none of their workforce would work remotely in the future, with the same proportion predicting their entire workforce would be remote.

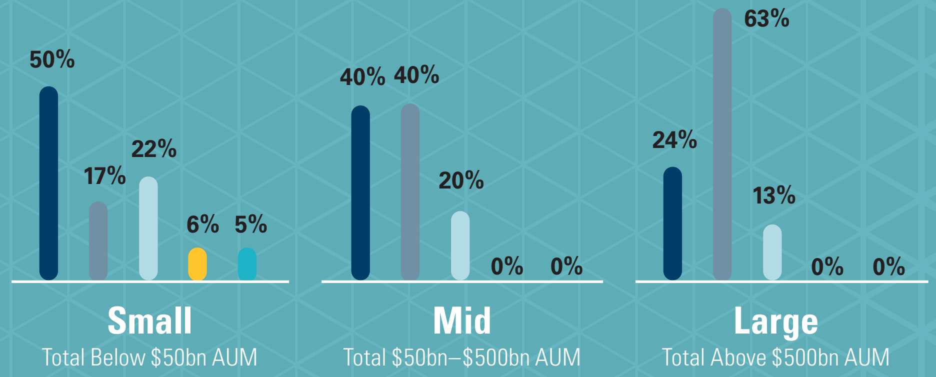
Many noted that while the transition itself was successful, they continue to think about how to sustain company culture, employee engagement, and productivity. Correspondingly, a third of those surveyed identified staff productivity as a top concern, primarily in the context of ensuring their teams have the tools and technology to be successful in their roles. Additionally, many respondents told us in our conversations that retaining firm culture, ensuring staff well-being, and the provision of support resources are important areas of focus. Some spoke of concerns related to employee development and career progression in the virtual environment.

How do you believe your firm has handled working remotely?



What percentage of your workforce do you expect to work remotely in the future? (TOTAL)





What we heard:

"When we go back, we're considering a flex work arrangement that will likely entail reserving space in the office on days they want to be in and from home on other days."

"We expect that everyone will have the option to perform some work from home, but we will never go fully remote."

"Historically, we have been a fairly conservative workplace and were just starting to look at changes when the pandemic hit. Our staff is enjoying the flexibility and we will likely consider some type of 2-3 day rotation in the future."

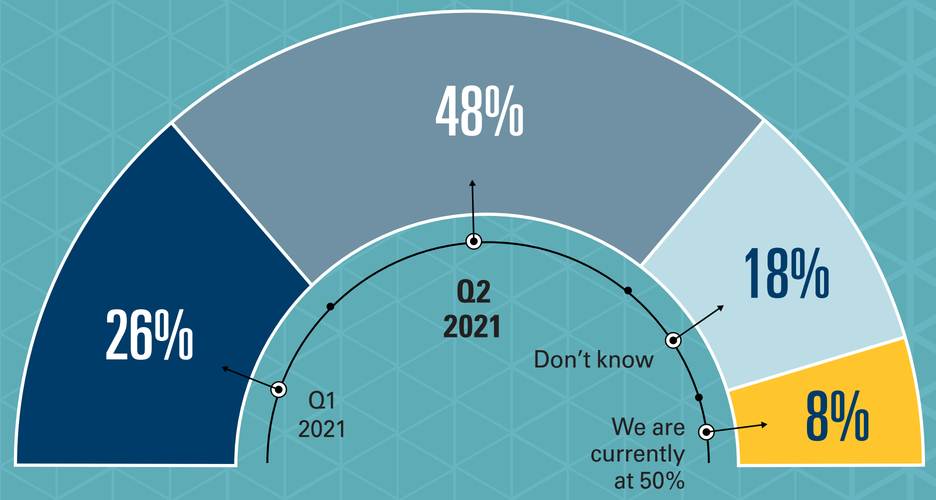
Investors are eyeing a Q2 return to the office

48% believe at least half of their workforce will return to the office by Q2 2021.

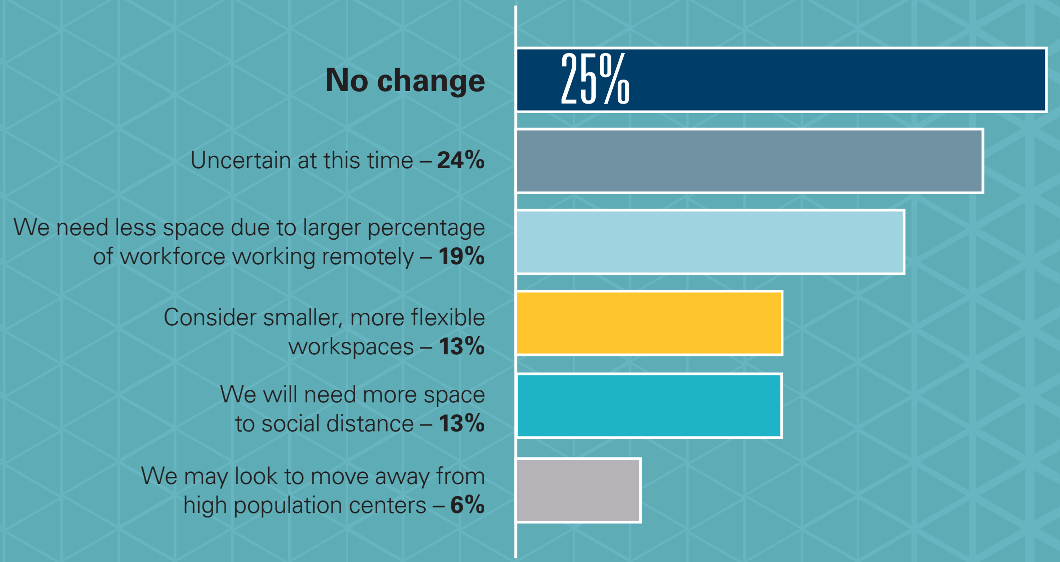
While most believe 50% of their employees will start to return to the office by the end of Q2 2021, the date remains aspirational: nearly all of managers we spoke to do not have a set date for their return and are adjusting as the situation evolves. Most, however, will pursue flexible work arrangements when they do return. As a result, real estate – BCP space and physical offices – presents an opportunity for expense reduction.

It appears large asset managers may be more inclined to promote work from home arrangements in the future. 27% of large asset managers (above $500 billion AUM) said they need less physical space when they go back to the office due to a larger percentage of at-home workers, compared to 21% of mid-sized firms, and 10% of small firms.

What is your best estimate on when at least 50% of your employees will be able to return to the office?



How will your real-estate plans/office layouts change in the next year?



What we heard:

> "Who knows what the finish line looks like? We have come to expect the unexpected."

> "It's hard to pick a date, with lots of different things to balance – regulatory, employee concerns, and more."

> "We need to be able to accommodate a variety of scenarios – flexibility for our entire workforce when needed, but knowing that a smaller percentage will be in the office on most days."

BCP disruption is limited

Many respondents are embracing work from home as a primary BCP plan.

For decades, most asset managers have had physical locations they would go to in the event of operational disruption. What this era has revealed is that, in some cases, their employees' homes are the best back-up plan.

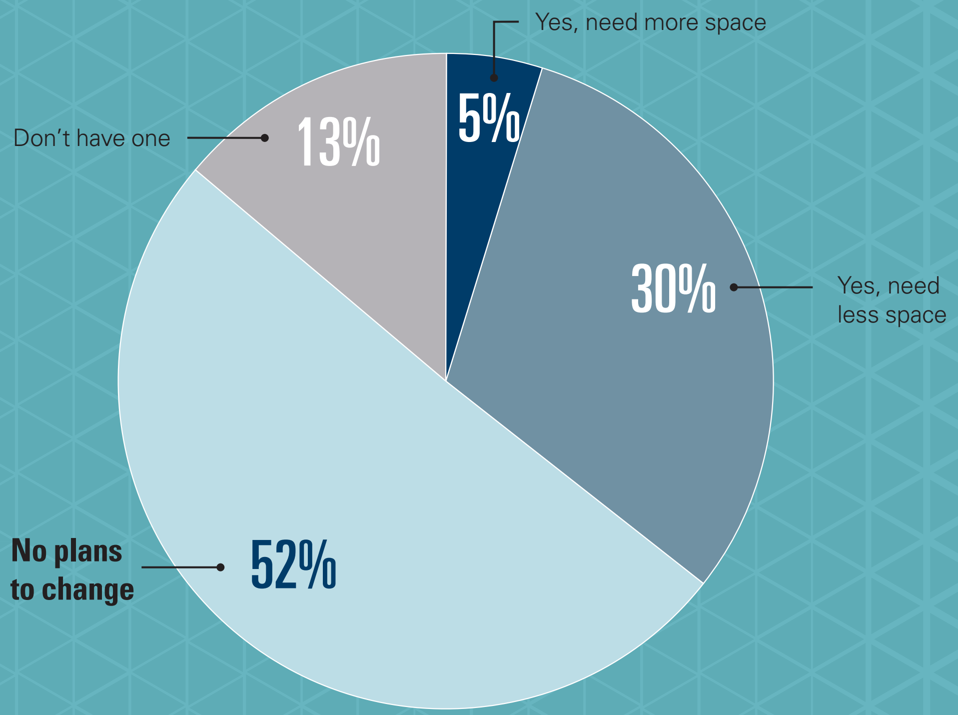
Just under a third (30%) of respondents told us they were planning to reduce the footprint of their Business Continuity Planning (BCP) footprint, compared to just 4% who said they would increase it.

Mid-to-large sized asset managers were more likely to be considering reducing their BCP footprint, perhaps because of the sprawling current size of many larger firms' existing disaster sites.

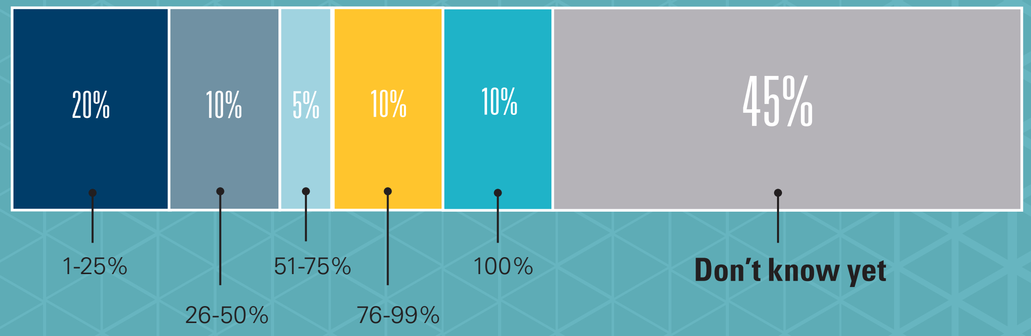
Across many of our conversations, managers simply didn't see the need for a site when their employees could work from home so easily. One manager put it simply, *"all we need is WiFi and electricity."*

However, for those who operate in areas prone to natural disasters like hurricanes and fires, a site is still viewed as necessary. Overall 52% of firms we discussed BCP with said they had no plans to change their BCP site footprint.

If you have an emergency BCP site, do you have plans to change your footprint?



If you plan on reducing your BCP footprint, what is the percentage reduction of cost in your overall site expenditures?



What we heard:

"I'm not exactly sure what our BCP real estate footprint will look like yet, but the overall goal is to consolidate."

"I would argue that we do not need a BCP site anymore."

"We increased our space at the beginning of the pandemic, but have since scaled back dramatically."

What's Next

Lorrie Gordon
Partner

I had the pleasure of conducting a number of these survey discussions and was struck by the wide range of perspectives we heard, and felt privileged to share experiences with some of the most influential managers in the world. We learned a lot about the concerns and challenges asset managers are facing today, along with a glimpse of longer-term changes we can anticipate in our industry, in part guided by lessons collectively learned during this period. While many of our findings focused on business and strategy, we also heard about the decisions and care being put into the well-being of employees and our communities.

One of my favorite questions to pose was at the conclusion of the survey. I asked respondents which topics they would have liked us to ask, but didn't. We heard great suggestions, including wondering what others were doing to maintain their firm's culture while virtual, how to hire and onboard new employees in this environment, and tips to promote a positive experience with work-life integration. Other themes included what a post-pandemic workplace might look like and factors others were considering when planning an eventual return to the office, such as how firms plan handling transportation costs for employees that are no longer comfortable taking public transit and decisions around employee contact tracing.

As we close in on one year of remote work, many felt that the industry as a whole is doing markedly better than anyone could have expected. There was concern that what got us to this point will not be what takes us forward. Many noted the resiliency that their firms, technology, and people have shown as they rapidly transitioned to remote environments and managed through a volatile market early on in the pandemic. There has been a surge in digitization, automation, and innovation as this unique global condition forced managers to respond to wholescale changes at an accelerated pace.

That said, as time moved on, there is concern if a weariness will set in as the early day adrenaline has worn off and many firms continue to further postpone return to office plans.

Our most important asset continues to be our people, and for many, the lines of work and life have never been more connected with dogs, cats, children, and spouses often appearing as virtual backdrops. Managing work-life integration has never been more important with many individuals experiencing high demands from both sides combined with a reduced desire to take a well-deserved vacation due to fear of COVID exposure and restricted travel options.

One clear signal we heard is that even when a vaccine is widely available, the future of our industry includes a higher degree of remote work with so much evidence suggesting virtual work hasn't negatively impacted results. Our challenge is to take lessons learned during this pandemic and apply them to a new normal. How do we make the most of shared time in the office and drive a strong culture with increased percentages of the workforce working remotely? How do we design spaces that can flex to accommodate groups of differing sizes safely? How can we continue to improve work-life integration and attract the best talent to our industry?

Without question, this year has not been easy. The stress associated with illness and loss cannot be understated. Neither can the burnout of long work hours and constraints like limited child care options. But the dramatic events of this year have also made us rethink what is possible and I am hopeful that our industry will embrace learnings and come out stronger.

We look forward to continuing this conversation. Until then, please stay safe.

Lorrie L Gordon

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