

THE  
INVESTMENT  
ASSOCIATION



# TALENT STRATEGY FOR THE INVESTMENT MANAGEMENT INDUSTRY

Analysis of Priorities

August 2019

## ABOUT THE IA

The Investment Association is the trade body that represents UK investment managers, whose 250 members collectively manage over £7.7 trillion on behalf of clients.

Our purpose is to ensure investment managers are in the best possible position to:

- Build people's resilience to financial adversity
- Help people achieve their financial aspirations
- Enable people to maintain a decent standard of living as they grow older
- Contribute to economic growth through the efficient allocation of capital

The money our members manage is in a wide variety of investment vehicles including authorised investment funds, pension funds and stocks & shares ISAs.

The UK is the second largest investment management centre in the world and manages 37% of European assets.

Investment Association (IA) members hold in aggregate, one third of the value of UK publicly listed companies. We use this collective voice to influence company behaviour and hold businesses to account.

More information can be viewed on our website.

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# FOREWORD



**INVESTMENT MANAGEMENT IS A SERVICE INDUSTRY WHICH HAS PEOPLE AT ITS CORE. THEIR KNOWLEDGE, SKILLS AND JUDGEMENT ARE RIGHTLY SEEN AS THE MOST IMPORTANT ASSET THAT AN INVESTMENT MANAGEMENT FIRM HAS.**

People are fundamental to a successful company. Human capital often accounts for a high proportion of operating expenses and it defies logic if we do not ensure that we get the most out of this investment.

The world is changing, and the world of work is changing with it. To keep pace employers will need to anticipate the direction in which technological and societal change is taking us. They will need to embrace innovation and develop a deeper understanding of the way people – both customers and employees – now live their lives.

The profile of a new recruit to the investment management industry tomorrow will be worlds apart from the skills and experience that today's CEOs were expected to display when they joined the industry a generation ago. To attract talented people to fill the skills gaps that exist in our industry we need to take a step back and consider how we attract the people with the right skills, how we provide the right training at entry and how we engender a culture of continuous personal and professional development.

As the industry body for investment management, the Investment Association has worked with members to explore the context in which the sector operates, considering how the changing nature of the industry will impact on its talent needs. This talent strategy is the result of that work. It takes into account the potential skills needs of the sector, now and in the future, and the impact that public policy and regulation will have on the talent landscape. But while we have set out a long-term vision, this strategy must retain the ability to be flexible in response to new developments in the world of work. Any plan which is set in stone runs the risk of becoming obsolete.

While the trends we observe may be occurring across a range of sectors, with similar impacts felt across the financial service industries, this strategy brings a focus which applies to the needs of investment management firms. We recognise too that different investment management firms will have their own strategies with distinct talent needs. Elements of the strategy will require individual firms to take action but the driving ambition is to identify a whole industry approach. This will allow the Investment Association to provide the most value through developing initiatives that provide a common approach and by identifying where we need to work with other organisations, government and regulators to support the ongoing success of the industry.

Investment management is dynamic and represents a key economic presence in the UK. The industry has a crucial role to play in the economic success of the country and in the lives of ordinary people. This strategy will help us to attract, develop and retain the talents that our industry needs to realise our strategic ambitions and maintain the industry's global standing.

A handwritten signature in black ink, appearing to read 'Pauline Hawkes-Bunyan'.

**Pauline Hawkes-Bunyan**  
 Director  
 Business: Risk, Culture & Resilience

# 1 EXECUTIVE SUMMARY

The next decade will see changes in the type of skills needed by the industry, and in the nature of work and the working environment. The Investment Association (IA) data indicates that the UK investment management industry supports just under 100,000 jobs in the UK both directly (38,000) and indirectly (61,200) in fund and in wider administration services and securities and commodities dealing activities. The bulk of this resource is concentrated in London and South East England, with a broader regional footprint, particularly seen in a strong Scottish industry.

## THE UK INVESTMENT MANAGEMENT INDUSTRY SUPPORTS JUST UNDER

**100,000** JOBS IN THE UK



The IA has developed a Talent Strategy setting out how it will support members to attract, develop and retain people with the skills, knowledge and competencies the investment management industry needs. The strategy covers the career arc from entry point to executive level and has been developed following extensive discussions with IA members about the skills needs of the industry now and in the future. It is structured around three key themes: attraction, advancement and environment with considerations around diversity and inclusion (D&I) underpinning each one.

### THREE KEY THEMES:



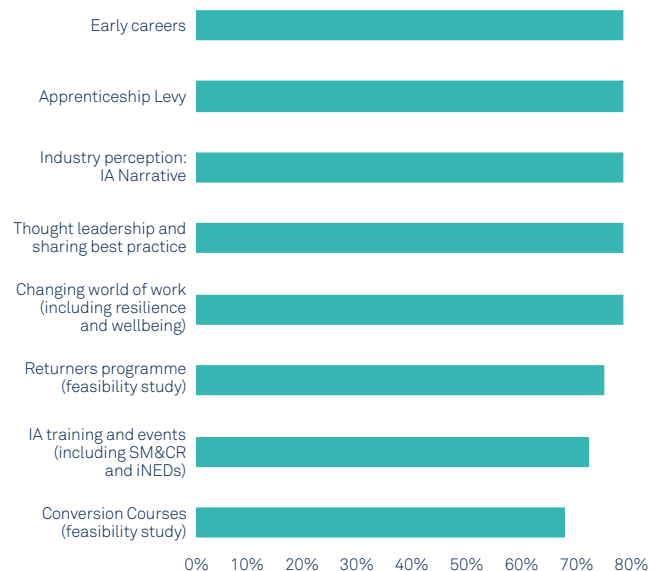
The IA is committed to working in partnership with other bodies whose objectives are aligned with ours. We are proactively engaging with the Financial Services Skills Taskforce (FSST), chaired by Mark Hoban, whose objective is to ensure that financial services across the UK as a whole has the skills it needs to remain globally competitive. The IA is formally represented on the FSST through First State, a member of the IA's Advisory Council.

The IA's Talent Strategy pulls our vision for skills development within the industry into a single document. It is designed to complement and support members' own internal talent strategies and, given that IA resources are limited, focusses on those areas that will have greatest benefit for our members.

Our intention is that the priorities set out below will provide the foundation for a programme of work for the next three years and will be reviewed annually as appropriate.

### CHART 1: PRIORITY AREAS REQUIRING AN IA SOLUTION

% of those that identified the area as a priority



## THE FOLLOWING PRIORITIES HAVE BEEN IDENTIFIED AS REQUIRING AN IA SOLUTION:

### ATTRACTION

- Build upon **our successful work in supporting members to source a more diverse pool of entry level talent** by taking a proposal to Investment20/20's Standing Committee to grow Investment20/20's client base and service proposition.
- Undertake a detailed **study into the feasibility of** developing a new qualification, delivered through conversion courses, to provide additional entry routes into the investment management industry.
- Carry out further work to assess how the IA could most effectively enable members to attract and retain returners.
- The **Apprenticeship Levy** (see below) also has a role to play here.

### ADVANCEMENT

- Continue to deliver a **comprehensive programme of training and events** for IA members, in particular on **SM&CR and to support INEDs**.
- Continue to **engage with government on the future of the Apprenticeship Levy**, so that our members can unlock funding for training new entrants, existing staff, and those coming in from other sectors at different stages of their careers.

### ENVIRONMENT

- Use the IA's **consumer market research** as a basis for tackling the **public's awareness and perception of the industry**, through promoting a positive image of investment management to potential job applicants for entry-level roles, and as a way to attract experienced professionals from other sectors to investment management.
- **Use the IA's changing world of work research, specific to the investment management sector**, to enable our members to anticipate and prepare for future skills needs and ways of working. To include areas such as resilience and wellbeing, the impact of technology, the changing working environment, career paths, and immigration.
- Continue to deliver **thought leadership and share best practice** to support members with their D&I agendas; and actively encourage members to join external initiatives that promote **best practice on D&I** within the industry.

## 2 PRIORITIES FOR AN IA SOLUTION

DISCUSSIONS WITH MEMBERS FOCUSED ON WHETHER A GAP EXISTED BETWEEN THE FIRM'S CURRENT AND FUTURE SKILLS PROVISION AND ITS TALENT NEEDS, AND THE EXTENT TO WHICH FIRMS WOULD WELCOME AN IA SOLUTION. IT WAS CLEAR THAT THERE ARE SOME CHALLENGES WHICH ARE COMMON TO MOST FIRMS, BUT THE EXTENT TO WHICH MEMBERS ARE ABLE TO ADDRESS THEM DEPENDS ON THEIR INTERNAL RESOURCES. A LIST OF IA MEMBER FIRMS CONSULTED, WHOSE VIEWS ARE REFLECTED WITHIN THIS PAPER, IS IN APPENDIX 1.

The paragraphs below describe these areas in more detail and are structured around the Talent Strategy's three key themes: attraction, advancement and environment.

### ATTRACTION

An important objective within the Talent Strategy is to broaden career paths into investment management, both for those starting out in their careers and for experienced hires. It is clear that firms are focussing their attention on attracting a more diverse range of applicants at all levels within a firm.

#### (a) Early Careers

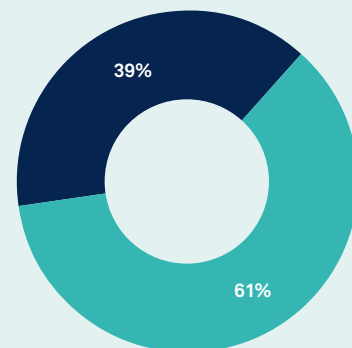
Members are taking a long-term approach to diversifying their employee base by using more creative approaches to sourcing new talent. 'Early careers' initiatives form an important part of their attraction strategies. Firms see the importance of raising the industry's profile on a generic basis and are keen to be involved in delivering an early careers programme.

Investment20/20, the IA's careers service for the industry, is being used by 20 of the 33 (61%) members we met, with a further three members considering using the service.

### INVESTMENT20/20

Investment20/20 places a specific focus on diversity in our sector through an early careers strategy. It provides extensive industry careers outreach in schools, colleges, universities, and through partnering with other groups such as charities. They also have a careers site where students can learn about the investment management industry and gain access to industry training programmes.

CHART 2: INVESTMENT20/20



Investment20/20 members  
Non-members

Firms are partnering with Investment20/20 to source both school leavers and university graduates for operational roles, and to provide mentoring and work experience to support their schools outreach programmes. We received positive feedback on Investment20/20, with firms reporting a high success rate in relation to converting trainees to permanent jobs. There are opportunities for Investment20/20 to expand on this success by increasing the number of firms who sign up to and use the service.

## Universities

Just over half of firms have a formal graduate trainee programme – predominantly members who are part of a broader group structure. Smaller firms reported taking on new graduates on a more ad hoc basis, due to fewer opportunities resulting from a lack of turnover.

**Many are reaching out beyond Russell Group universities for graduates**, and there is an increasing trend to recruit graduates from non-STEM backgrounds to broaden cognitive diversity amongst employees. A number of firms are proactively going into universities to talk about the investment management industry (in many cases via Investment20/20) and are providing internships for penultimate year undergraduates, with successful completion of the internship often leading to a job within the firm.

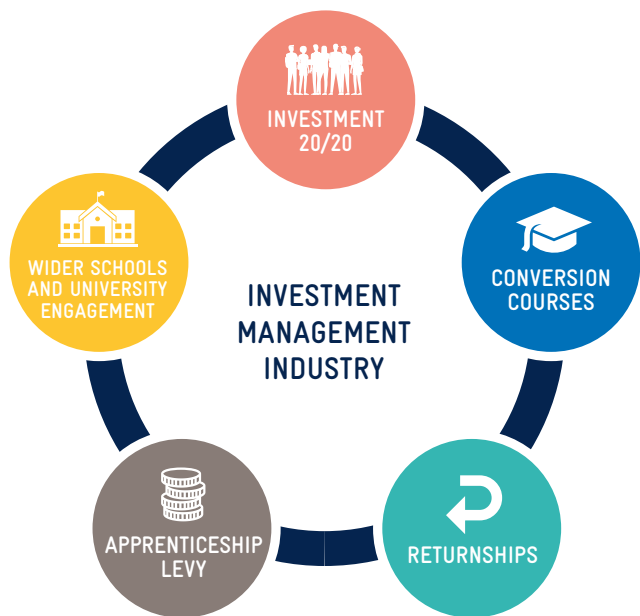
Given the use of internships as a pipeline into graduate schemes or trainee roles within the industry, Investment20/20 could consider whether to play a role in supporting firms to acquire diverse talent through internships.

## Schools

There is a growing recognition of the importance of reaching out to school students to talk to them about the career options within investment management, with a particular focus on those aged 14/15 before they have chosen subjects in which to specialise. Investment20/20 is a sector led organisation, which differentiates it from other non-industry specific initiatives in the early careers market, such as The Brokerage and SEO London, which are also being used by members.

A common theme was the importance of promoting the investment management sector as an interesting and attractive environment with a clear **social purpose**. There is an opportunity for Investment20/20 to expand its schools outreach work so that there is a broader and more coordinated approach to ‘selling’ the industry to students, both at schools and universities. The IA’s Consumer Market Research and report on the Changing World of Work will provide

important context, as will research into the values of the millennial and post-millennial generations. Recent surveys indicate that a significant proportion of young people are interested in responsible investing and so there are **opportunities to promote the industry’s environmental, social and governance (ESG) work** in the attraction literature presented to students.



## ACTIONS

- Take a proposal to Investment20/20’s Standing Committee to:
  - Build upon our successful work in supporting members to source a more diverse early careers candidate pool through expanding Investment20/20’s membership and service proposition.
  - Include a wider membership base in the development and delivery of schools outreach programmes.
- Use conversion courses for graduates from non-STEM backgrounds, subject to the feasibility study.



**(b) Conversion Courses (Feasibility Study)**

The IA has proposed the idea of conversion courses to provide additional entry routes into the investment management industry as a means of addressing diversity. Two possible routes have been identified: a masters programme developed by the industry with two ‘centres of excellence’ providing a very practical industry and knowledge based programme; and a foundation programme to help individuals transition effectively into investment management. A masters programme, in particular, would provide an opportunity to attract individuals from a non-STEM degree background or from other sectors as well as individuals looking for a mid-career change.

Firms are enthusiastic about the potential benefits that the conversion course proposal looks to bring to the sector, with a number having expressed willingness to provide ‘guest speakers’ from their firm to give students a practical insight into the industry. There is a recognition that the development of a conversion course would be a longer term initiative and subject to the outcome of a feasibility study.

**ACTIONS**

- Undertake a detailed feasibility study to include consideration of the potential content and delivery methods.

**(c) Returners Programme**

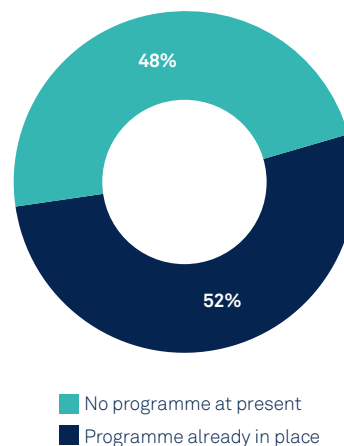
Our members recognise the value of attracting professionals who have had a career break back to work, boosting skills and helping to close the gender pay gap. The majority of firms that have set up a scheme are working in partnership with an external organisation specialising in this space.

**IA members in Scotland** that have taken part in the Returners to Financial Services Scotland programme fed back positively, reporting that there were plenty of talented people available and they had been able to get the skills they needed.

Firms saw the benefits in the IA facilitating some form of industry-wide returners’ initiative – this was particularly the case amongst smaller members with low turnover who would find it difficult to take on their own cohort of returners.

We will carry out further work to assess how the IA could most effectively enable members to attract and retain returners, in a way that complements and adds value to existing provision in the market.

**CHART 3: RETURNERS PROGRAMME**



## ATTRACTION AND ADVANCEMENT

### Apprenticeship Levy

Inability to use the Apprenticeship Levy continues to be an issue for our members<sup>1</sup>, who are keen to get better value from the levy. The IA is engaging with government to look at how the current system could more successfully be used to promote productivity and raise talent levels within the investment management sector. We will continue to focus on helping our members to unlock funding for training new entrants, existing staff and those coming in from other sectors at different stages of their careers; and to advocate a consistent approach to apprenticeship design and content across the UK, allowing firms to offer the same solution across their workforce.

### ACTIONS

- Explore with the Department for Education (DfE) and the Institute for Apprenticeships ways of more effectively using apprenticeships and the levy.
- Continue to make representations to DfE and Skills Development Scotland setting out the IA's proposals for a consistent approach across the UK and greater flexibility on how the levy could be used.

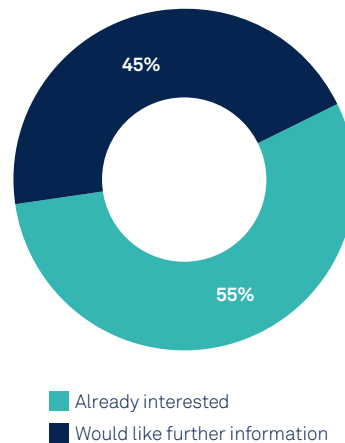
## ADVANCEMENT

### IA training and events

The IA runs training and events to support the needs of its members. These provide development opportunities and may count as continuous professional development (CPD), covering technical and regulatory issues such as SM&CR. With the impending implementation of SM&CR for solo-regulated firms, there is also an increasing need to demonstrate that individuals, both senior managers and those who come under the certification regime, are maintaining their competence. Evidencing training and events that staff have attended could support this.

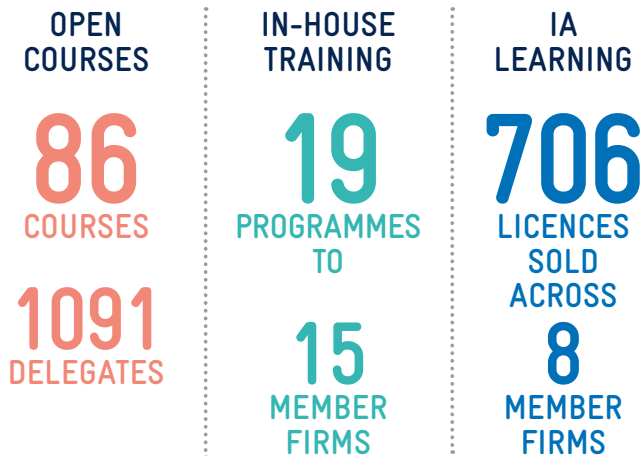
The IA is supporting members to implement new requirements in relation to independent non-executive directors (iNEDs) through the creation and development of an online resource, offering essential information, support and training as well regular events for facilitated networking.

CHART 4: iNED CLUB



<sup>1</sup> The investment management industry contributes substantially to the Apprenticeship Levy. Our survey of member firms in 2018 found that respondents expected to pay in total approximately £10.9 million and to receive back about £180,000, a ratio of 61 to 1.

During 2018 the IA delivered the following training to its membership:



### CPD for HR

Our members recognise the importance of continuous professional development (CPD) for their HR staff, as they are increasingly involved in regulatory change programmes such as SM&CR and culture. This need can be addressed through existing IA training and events, ensuring a consistent message across firms. Members suggested that there should be a conference designed specifically for HR professionals in investment management. Key topics could include leadership and management development, talent and performance management, change management and remuneration.

### ACTIONS

- Continue to deliver a comprehensive programme of technical training and events for IA members.
- Provide members with lists of their staff attending training and events to evidence CPD.
- Continue to develop the online resource for iNEDS offering access to essential information, support and training as well regular events for facilitated networking.
- Arrange an inaugural conference for HR professionals from across our membership to take place in summer 2020.

## ENVIRONMENT

### (a) Industry perception

A key concern from members is that of industry perception, the lack of public understanding of the investment management industry and the effect this has on their ability to attract a diverse cohort of talent, including those that would not previously have applied to the sector.

The IA has been completing a substantive piece of consumer market research to help develop an industry narrative explaining the role of the investment sector in a way that resonates with the general public as well as understanding the drivers of behaviour. In addition to helping the sector better communicate its role with consumers, it will also help with the industry's advocacy with policymakers and regulators.

### ACTIONS

- Use the IA's consumer market research as a basis for promoting a positive image of the investment management industry to potential job applicants for entry-level roles, and as a way to attract experienced professionals from other sectors to investment management.

**(b) Changing world of work**

To enrich and complement the practical initiatives within the Talent Strategy, the IA is commissioning a piece of academic research. In the coming years there will be far reaching changes affecting all sectors of the UK economy, as well as factors which will have a specific impact on investment management.

The research will enable our members to anticipate future changes in the industry, including wider environmental issues such as the impact that immigration and technology, including artificial intelligence, will have on working practices and skills needs. The findings will inform members’ recruitment, retention and talent development strategies.

The pace of change within the sector and the impact that this has on the workforce’s psychological resilience is an issue to be addressed. Some members have chosen this year to run a ‘mental health awareness day/week’ highlighting the provisions they had in place for their employees. There was support from HR Committee members for the IA to run a focussed intervention based around resilience and helping individuals to operate in a fast paced and changing environment. The exact nature of such an initiative, and whether this would sit with the IA or externally, would need to be given further thought.

**ACTIONS**

→ Commission research on the changing world of work, specific to the investment management sector, to enable our members to anticipate and prepare for future skills needs and ways of working.

→ Work with a sub-group of the HR Committee to identify what is needed as a focussed intervention based around resilience and to help individuals operate in a fast paced and changing environment, and whether this solution sits with the IA or externally.

**(c) Thought leadership and sharing best practice**

The IA has supported members to progress their own D&I agendas through thought leadership and sharing best practice. This has included our publications on the LGBT+ experience in investment management

*‘Do you remember the first time? Coming out and being out in investment management’*, *‘Closing the Gap: Addressing the Gender Pay Gap’*, which showcases how member firms are proactively addressing their gender pay gaps; and the *‘Black Voices’* report, which looks at the representation of black professionals in investment management and contains guidance for firms on increasing the representation of black professionals within the industry. Future publications will focus on supporting the mental health and wellbeing of those working in investment management, and the importance for our sector of promoting social mobility.



The IA also actively supports a number of external initiatives, such as the Women in Finance Initiative and the Diversity Project, and encourages its members to do so too.

**ACTIONS**

Working with the Corporate Affairs team, continue to:

→ deliver thought leadership and share best practice to support members with their D&I agendas

→ actively encourage members to support external initiatives that promote best practice on D&I within the industry.

### 3 OTHER IMPORTANT TALENT INTERVENTIONS

IT IS EVIDENT THAT MENTORING SCHEMES AND MANAGEMENT AND LEADERSHIP DEVELOPMENT ARE KEY COMPONENTS OF OUR MEMBERS' TALENT AND D&I STRATEGIES, IN PARTICULAR AS A PRACTICAL MEANS FOR ACHIEVING GREATER SENIOR LEVEL DIVERSITY. THERE IS A WIDE RANGE OF PROVISION ALREADY AVAILABLE AND BEING USED BY MEMBERS BUT THERE IS A ROLE THE IA COULD PLAY IN HELPING MEMBERS TO NAVIGATE THE NUMEROUS INITIATIVES IN THE MARKET. WE WILL CONTINUE TO KEEP A WATCHING BRIEF ON THESE INTERVENTIONS, TOGETHER WITH NEW INITIATIVES AS THEY DEVELOP. WE WILL ALSO CARRY OUT FURTHER MORE DETAILED WORK TO ASSESS HOW AND WHERE THE IA COULD ADD VALUE FOR MEMBERS IN THESE AREAS.

#### (a) Mentoring

Larger members provide mentoring opportunities for their employees. Some target women or under-represented groups, whilst other employers make mentoring available to high potential employees more generally and use it as a part of a targeted programme to broaden their talent pipeline.

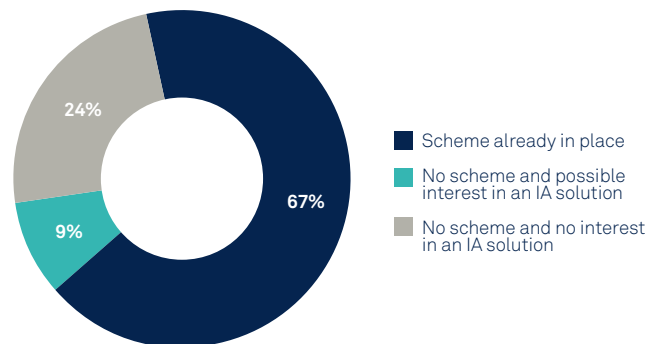
Some firms are running their own internal schemes whilst others are partnering with external initiatives which give their employees access to mentors from other organisations.

The IA has considered the possibility of working in partnership with a third party to deliver a cross-company mentoring scheme for its members. This would require seed funding in addition to bilateral contributions from participating members. There are mixed views about the extent to which a cross-industry mentoring programme would be beneficial, and a general view that mentoring is not currently a business priority for the IA to be involved in. The following points have been raised:

- Members are focussing on improving management capabilities rather than mentoring.
- There are a number of external mentoring initiatives available and members thought that it would be difficult to 'sell' the idea of a new similar scheme, and its associated costs, to their executive committees.

We will keep a watching brief and will revisit mentoring to assess whether there is an appetite for an IA intervention at a later date.

CHART 5: MENTORING



**(b) Management and leadership skills**

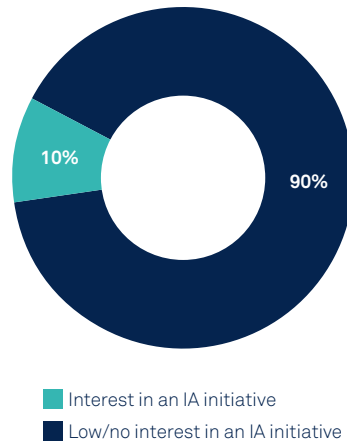
Currently, there is a mixed picture both in regards to upskilling and training those already in management positions and those identified as potential future leaders. A number of the larger firms have access to global management development programmes and in-house training. Some have a positive preference for their own programmes which are focussed around their specific values and competencies.

The smaller members tend to take a tailored approach, providing bespoke management training for individuals as and when they need it.

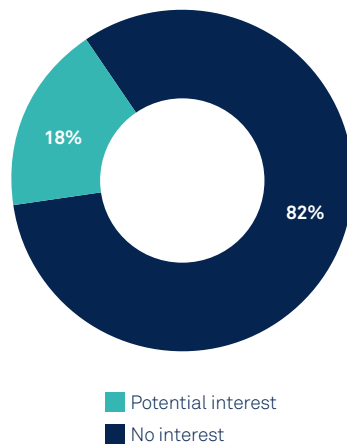
Whilst only 18% of members expressed a specific interest in an IA Future Leaders programme, all members emphasised the importance of developing leaders and managers for the future. The level of demand at present does not appear to be in proportion to the cost (financially and in terms of time and resources) of developing such a programme. We will continue to monitor member interest for an IA solution.



**CHART 6: MANAGEMENT TRAINING GENERALLY**



**CHART 7: AN IA FACILITATED FUTURE LEADERS PROGRAMME**



## 4 NEXT STEPS

ONE

WE WILL COMMENCE FEASIBILITY STUDIES AND BUSINESS PLANS FOR THE OPERATIONAL ACTIVITY AND SOCIALISE THESE WITH MEMBERS.



TWO

WE WILL COME BACK TO THE HR COMMITTEE TO CONFIRM INDUSTRY RELEVANCE AND BUY-IN AS APPROPRIATE.



THREE

AS WORK ON THESE PRIORITIES PROGRESSES WE WILL ENCOURAGE OUR MEMBERS TO RECORD DATA ON KEY PERFORMANCE INDICATORS SO THAT WE CAN ASSESS THE VALUE AND IMPACT OF THESE INITIATIVES.

# APPENDIX 1

## TALENT STRATEGY MEMBER MEETINGS

### TALENT STRATEGY MEMBER MEETINGS

The IA gained detailed feedback from 33 member firms (listed) with 69% of the £7.7 trillion of IA members' assets under management.

To ensure that the feedback fully reflected our members' priorities we spoke to representatives from a diverse range of employers, which included stand-alone fund managers as well as firms owned by insurance companies, banks and those specialising in pension funds. We also ensured that our sample comprised firms with UK, US and other global ownership and with UK employees based in London, Edinburgh and the English regions. The size of firms ranged from 54 to over 1000 employees.

- Aberdeen Standard Investments
- Allianz Global Investors
- Aviva Investors
- AXA Investment Managers
- Baillie Gifford
- BlackRock
- BNP Paribas Asset Management
- BNY Mellon Investment Management
- Capital International
- Columbia Threadneedle
- Fidelity
- First State Investments
- Franklin Templeton
- Hargreaves Lansdown
- Hermes Investment Management
- HSBC Global Asset Management
- Invesco
- Investec
- Janus Henderson
- JP Morgan Asset Management
- Legg Mason
- Legal & General Investment Management
- M&G
- Man Fund Management
- Miton
- Newton
- Pictet
- Premier Asset Management
- Quilter Cheviot
- Royal London Asset Management
- Schroders
- St James's Place
- State Street





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