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Small and Midsized Managers Compete to Capture Disillusioned Tech Talent

By Dervedia Thomas   September 26, 2019

As the battle for top tech talent heats up in the asset management industry, small and midsized investment shops are trumpeting their tight-knit corporate cultures and ownership benefits to lure disillusioned workers away from technology megaliths.

“We’re beginning to see actually a little bit of cultural fatigue with the big tech firms,” says Tom Graham, partner at recruitment firm Stonehaven International. “Culturally, they were the brilliant new vision on the block. Financial services, following the financial crisis had gained a bad reputation, while technology had a great reputation. You now look at Uber and the issues they had around senior management, Facebook and the data privacy case; they’ve lost a little bit of that veneer.”

Smaller asset managers are in a better position to compete for this talent because larger managers may have more “rigid” corporate structures, Graham says.

“A lot of [larger asset management firms] were founded 20-30 years ago — they were small at the time, they had this brilliant culture, and then they’ve grown to hundreds, if not thousands of people — It’s very hard to keep that culture consistent,” he says. “In the smaller firms, the culture can sometimes be much stronger. Everyone is more likely to know each other, to partner more closely, the founders are often still very much at the helm and in the forefront.”

Boutique managers, such as AlphaSimplex, are presenting their corporate culture as one that offers more opportunities for advancement, regular interaction with senior leadership, and the ability to openly express ideas or concerns, says Duncan Wilkinson, CEO of the $6.2 billion quant investment affiliate of Natixis Investment Managers.

“We have people that within the first week, they’re in meetings with the most senior people in the firm — the CIO, the chief research strategist — and there’s an open back and forth,” he says. “Those recent hires are working on projects with more senior people early on. You don’t have to kind of earn your stripes on something small and then work your way up before you really feel like you’re part of the core process.”

Smaller asset managers compete with fintech startups and Silicon-Valley type firms for top talent, adds **Dan Philps**, head of **Rothko Investment Strategies**, a division of **Mondrian Investment Partners** that uses artificial intelligence (AI) to drive its investment processes.

“Generally speaking, people that are involved in AI research, machine learning research, deep learning generally tend to be attracted by what they see as the bigger challenges,” he says. “A large number of those people tend to be motivated to join startups, where there’s a large amount of innovation going and scope to bring in these new technologies and techniques without being limited by systems and processes that are already there.”

To attract this talent, Rothko emphasizes that emerging technology is at the core of the firm’s operations, according to Philps, who is also a researcher and lecturer at City, University of London. He notes that many of the students in the university’s master’s in data science and AI program tend to have 10 to 15 years of work experience and are looking for “serious” asset managers to help them reboot their careers with these skills.

“What really turns the tech talent off is the idea of just being window dressing for executive management to say to that they’re tapping into the new technology,” Philps says.

The structure of an organization is an indicator of a firm’s commitment, Graham adds.

“If the [chief information officer] reports three levels down into a COO or CFO, are you really giving the significance to technology that it deserves?”

Rothko also seeks to differentiate its investment process away from the factor-investing style that many of its peers in the quant space use, Philps says. AI and machine learning are best suited to finding unique attributes for each stock rather than having to fit stock characteristics into a few factor buckets, he argues.

“What the budding, sort of entrepreneurial technologists are seeking is something completely different to the dumbing-down of investments using factors,” he says. “Almost all of these strategies just use 1990s-era, Fama-French-style factors, and it is something completely different to using the huge wealth of data that is now available and interpreting that using data science, using machine learning, and using AI techniques.”

Smaller asset managers may also offer more attractive compensation packages, Stonehaven’s Graham says.

“Sometimes the bigger firms have more rigid pay structures, quite often profitability is a little bit lax,” he explains. “We find in the smaller, very successful firms, they hire very few people, but they want the very strongest talent, and they’re willing to pay for that.”

Rothko offers its tech staffers an equity interest in the firm to compete with startups that may offer the same benefit, Philps says.

“You need to give them part of the upside,” he says. “This is sort of difficult for established, incumbent managers to do. At Rothko, you’re going to participate in the upside if you bring change, and if you bring disruption to the business that benefits what we’re doing.”