www.ai-CIO.com | June 2015

chief investment officer

For the world's largest asset owners

Jagdeep Bachher, CIO,
University of California Regents

Robert Wallace, CEO,
Stanford Management Company

Greg Williamson, CIO,
American Red Cross Foundation

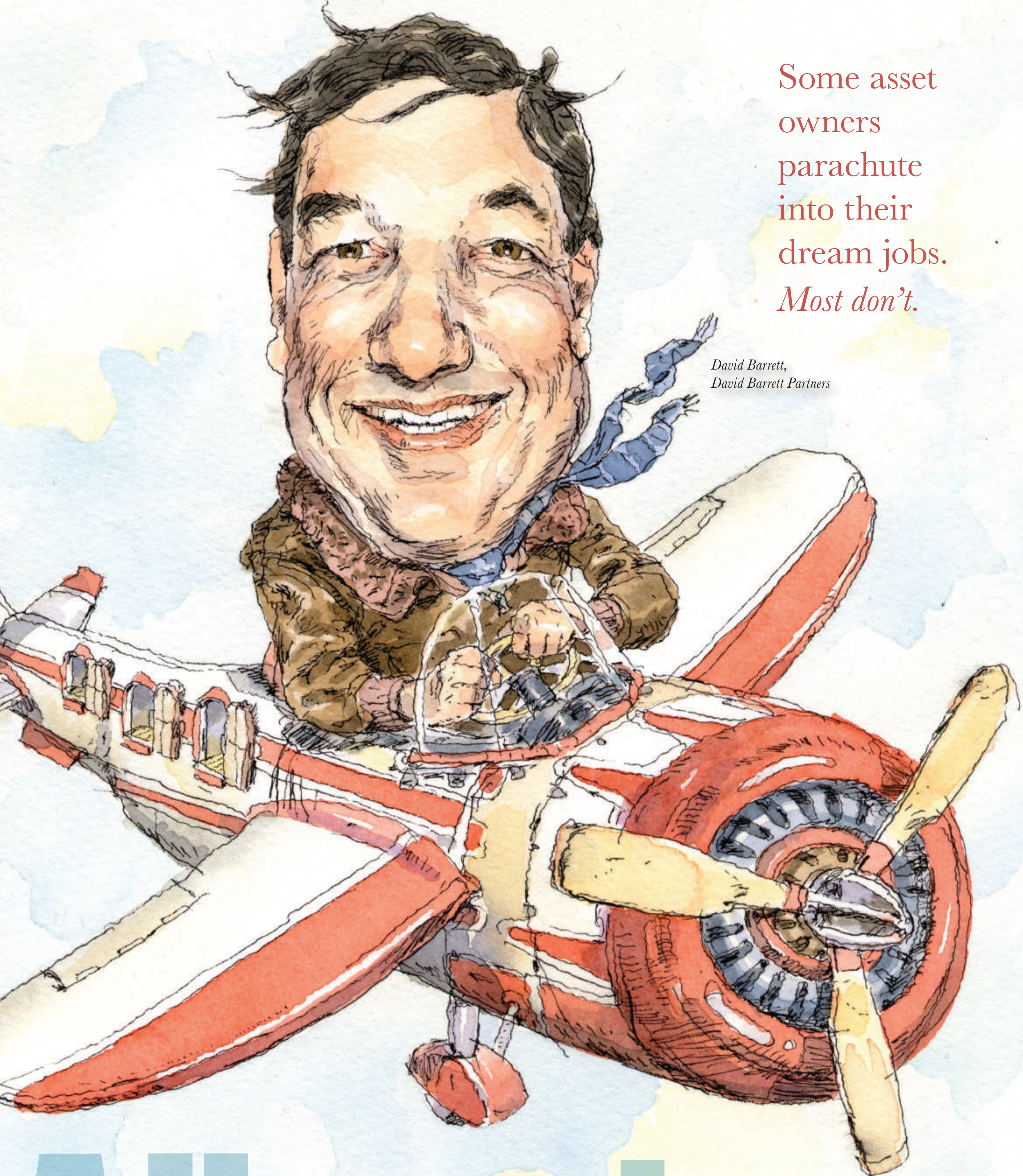
The Talent...

Art by John Cuneo / johncuneo.com

REPRINTED FROM CIO June 2015

Allocators

Some asset owners parachute into their dream jobs. *Most don't.*



David Barrett, David Barrett Partners

REPRINTED FROM CIO June 2015

You are strutting up Park Avenue, bold pinstripes encasing your magnificently broad shoulders. Your stride consumes Manhattan blocks in bounds as you glide back to your office. Your chest—Napoleonic—leads.

"Look at that guy," you imagine both tourists and locals thinking as you march by. "He's going places."

And you are. Because what's that in your hand, you capital-market Bonaparte? "Why thank you for asking. It's an offer letter."

Not just any offer letter, of course. This one took months to acquire, starting with the phone call from the recruiter whose midtown office you've just exited. It's the spoil of endless interviews, covert travel, finessing your résumé, sweet-talking your references, and, perhaps most importantly, your cultivation of the recruiting industry titans who act as gatekeepers to asset management advancement.

But your *coup de grâce* awaits. For at the end of your uptown parade lies not a fond farewell to colleagues past, but a haggling over your future. You see, the offer letter in your hand is for a job you don't want—and a paycheck that you do. You've played it perfectly: You'll walk in, confidently hand your bosses the letter, and after a brief back and forth they'll acquiesce to your will. You'll then call the recruiter back, apologize quickly but profusely, and triumphantly debouch for a night of debauchery at Smith & Wollensky.

Wrong. Wrong. Wrong, wrong, wrong.

Here's why you're an idiot: If you possess any investing talent at all, there is a strong chance that the office from which you just decamped belongs to one of American executive recruiting's Big Four: David Barrett, Deb Brown, Anne Keyser, and Jane Marcus. And chances are even greater that if—*somehow*—you made it through their intense screening process without being exposed as a counter-offer hunter, you will not be invited back. By playing them for fools, you have just stepped on one of the many landmines littering the career-advancement battlefield. Forget about those magnificently broad shoulders, my friend. Time to start focusing on how you're ever again going to get an audience with the most important non-investors in the investing industry.

David Barrett pondered the above hypothetical. "I'd be disappointed in myself," he offered. "If I haven't figured out that they were just doing it for a counteroffer, it's my fault."

Barrett sat in his 230 Park Avenue office on an overcast Friday in May. Unless they were travelling—and given their vocation, that was very likely—he was less than 100 yards away from the other members of the Big Four, huddled in various offices surrounding Grand Central Station. Closer still was his impressive-by-any-standard collection of New York Yankees memorabilia: the handiwork of Mantle, DiMaggio, Jeter, and perhaps hundreds of other past members of baseball's most despised team.

Unlike the contemporary Yankees, however, Barrett and Anne Keyser—the "two grizzled vets" who lead David Barrett Partners—are executive recruiting's hot hand. Since the beginning of 2014, they've placed Jagdeep Bachher (University of California Regents from Alberta Investment Management Corporation), Greg Williamson (American Red Cross Foundation from BP America) and, perhaps most notably, Robert Wallace (Stanford from Alta Advisers—the family office for billionaire Hans Rausing). This team knows how to get CIOs their dream jobs.

Barrett also knows how hard that actually is, statistically and otherwise. Take, for example, Wallace's placement at the Stanford Management Company.

"In the first meeting—when we were trying to get hired over Russell Reynolds and others—we gave the search committee about

THE MOST UNDER- AND OVERVALUED QUALITIES IN AN ASSET MANAGEMENT JOB CANDIDATE ARE...

Overvalued: Current compensation. I will quote Warren Buffett: "Price is what you pay. Value is what you get."

Undervalued: The proven ability to mentor, train, and promote staff. How do you treat the people underneath you?

Anne Keyser, David Barrett Partners

The most ***overvalued*** is the undergraduate degree—who cares if I went to Yale and Columbia? I'm looking for academic achievement wherever you went, and how you levered it. ***Undervalued*** is what you can't see on the résumé: communication skills.

David Barrett, David Barrett Partners

WITHOUT USING NAMES, WHAT IS THE BIGGEST MISSTEP YOU'VE SEEN BY AN ASSET OWNER IN BUILDING HIS OR HER CAREER?

A lack of patience. But the flipside of that is lethargy. Fifteen years in the pension world can be too long.

People trading down in terms of quality of platform for the money or title—because it's very hard to recover from that. What's key is the quality of organization where you work. Don't compromise on your platform in terms of the next step.

20 names: Canadian pension plan executives, endowment and foundation CIOs, Stanford grads," he explained. "Eighty percent of the legwork is done before that meeting even starts."

There are generally two types of candidates, according to Barrett. "You have your 'in-the-fairway' people, and you have your 'best athletes.'" The first group consists of traditional allocators—in this case, largely CIOs and their deputies at smaller nonprofits. The second group is largely an alumni pool—for it is an open secret that elite endowments prefer their own. "We probably did over 100 calls to Stanford grads in investing," said Barrett. Yet committees, and by extension recruiters, often "stay in the fairway."

Once formally hired (after a purgatory of "sweating and waiting"), the winnowing began. Barrett and Bruce Dunlevie—a venture capitalist and Stanford board member chairing the search committee—were "attached at the hip. Most candidates came to Mohammed, so to speak, but Bruce was willing to travel to meet people, which was helpful." They kissed many frogs. More than 150 people made the initial call list, according to Barrett. Fifty were more formally reviewed, and Dunlevie "met 15 or so." Wallace, the eventual winner, met two key criteria: He had worked at a fund of similar scale, and he had managed a large investment team. Training at Yale under David Swensen certainly helped, and so, perhaps, did his unusual career path: Before Alta Advisers and Yale, Wallace danced professionally wwith the American Ballet Theatre, among several other top companies. And, according to Russell Reynolds' Deb Brown—who knows Wallace's career well—he also did two other things right: "He had a broad range of experience across asset classes, and he waited for the fat pitch."

There you have it: a simple mix of intelligence, not playing recruiters for fools, management experience, familiarity with a fund's size, multi-asset class experience, and patience makes a career. And yet that's not remotely the whole story.

"I'd be disappointed in myself. If I haven't figured out that they were just doing it for a counteroffer, it's my fault."

H*ow to Win Jobs & Alienate No One*: If, in some alternative universe, Jagdeep Bachher and Greg Williamson were to co-author such a book of advice, it would be a bestseller among CIOs. Over the course of two separate discussions with Bachher and Williamson, following their moves to the University of California Regents and the American Red Cross Foundation, respectively, an imaginary table of contents emerged—one that extends far beyond the above checklist.

Chapter One: Have an insatiable curiosity about portfolio management, because ancillary benefits abound. "I didn't actually try and position myself to be a specific type of investor," says Williamson, who spent a quarter-century at BP America and its predecessor, Amoco. "I wanted to do a good job and learn as much as I could about the investment business and portfolio and risk management. That meant meeting endowments, foundations, wealthy family offices, sovereign funds, and many of my corporate peers so that I could see how they did things. If there was a better model, I wanted to know about it." Of course, with so many connections, it was inevitable that the all-powerful recruiting industry would also take notice.

Chapter Two: Don't worry too much about the brand. Here, recruiters tend to disagree with Williamson and Bachher. To many of their clients, the imprimatur of a Yale Investment Office or Texas Teachers can have a significant effect on their willingness to hire. But Bachher is explicit: "I wouldn't necessarily worry about which brand you end up with," he says. "I say that because over a 10-year journey, you're essentially collecting skills and experience. They don't have to be linear—they can come from a variety of things and places. It's not

pay; it's not title; it's not even brand—it's the collection of skills you pick up over that timeframe that matters."

Chapter Three: If you're not growing, leave. "The key to advancement is to be a part of an effort where you have the opportunity to develop and grow. If you are not, then it likely will not be an enjoyable environment—and it's going to make you less valuable," Williamson says. "Sometimes it will be made very clear to you that your organization isn't structured to help you grow. Perhaps the defined benefit plan is shutting in five years, or being offloaded, but it won't always be that obvious. So take stock of your situation, and plan accordingly."

Chapter Four: Forget pay, forget titles—and aim big. "I had a mentor at Manulife," Bachher remembers. "When I was interviewing, I noticed he'd taken notes on my résumé before we'd met. He greeted me with such personal attention to detail—it showed me that I wanted to work with him." This mentor gave Bachher three pieces of advice. "He said, 'I wouldn't worry what we pay you, because the reality is that a decade from now you'll be paid 10 times that if you're good. Don't worry about the title we give you, because you'll naturally gravitate towards the role that suits you.' And then he said the most important one: 'If you're going to take on an assignment, take on a challenge—a big one—and own it, so that it counts if you get it right.'"

Chapter Five: Nurture the recruiters. "In the summer of 2013, I knew that the travel to Edmonton, Alberta from New Jersey, where my family lived, was not a sustainable model," Bachher concludes.

IF YOU WERE TO GIVE ONE PIECE OF ADVICE TO AN AMBITIOUS DEPUTY CIO, WHAT WOULD IT BE? AND FOR A CIO?

For a deputy: Don't get overly siloed. Work across asset classes and get good asset allocation and board exposure.

For the CIO: Stay focused on your current role, on your performance, and on your team. Don't look too far ahead—if you're good, we will find you.

For both groups: I would advise excelling in the seat they're in. Be open to relocation. Focus on investment performance, effective leadership, and management of your board and committee—which ultimately are your references—and opportunities will come knocking.

WHAT IS ONE *NON-ASSET OWNING ROLE* THAT YOU WOULD RECOMMEND FOR ASPIRING CIOS, AND WHY?

Any position that provides you with an equity track record. Combine that with a track record of managing people, and you've got a shot.

What I love to see is someone who started in the traditional money management business and has direct investment or capital-markets experience on Wall Street; Someone who trained at a T. Rowe Price, Goldman Sachs, or Morgan Stanley, and then transitioned into a nonprofit or plan sponsor role. To me, that's someone who is passionate about markets and then made a conscious decision to get to the asset-owner side.

“You try to have a balanced slate to present to the selection committee, but boards want to sleep at night, frankly. It’s still a ‘hire IBM’ thing a lot of the time. You can only be as lateral as the client lets you be.”

“I had some interest from the Middle East, which was in the back of my mind. So on Labor Day, I was actively starting to look—and Anne Keyser called me. We’d connected a year prior when someone had introduced us—Barrett Partners was looking to fill a risk role, and she wanted to know if I knew anyone who might be interested. That started an ongoing discussion: They’d call me, and I’d suggest people.” Eventually, Bachher says, Keyser’s questions became more direct. “I got to know Anne, and she approached me a couple of times for different role. Then, that Labor Day in 2013, she called me about a role in California, saying the client was very interesting and the position fit my background.” The rest is history—Bachher joined the fund eight months later as its CIO.

It is very unlikely that you are the next Bachher or Williamson. While Barrett and Keyser have a track record of placing nontraditional candidates in nonprofit CIO roles, even they admit that it’s not the norm. “The endowment and foundation world needs new blood,” Barrett says. “You try to have a balanced slate to present to the selection committee—some stellar public fund CIOs, family-office types, people from other areas of asset management—but boards want to sleep at night, frankly. It’s still a ‘hire IBM’ thing a lot of the time. You can only be as lateral as the client lets you be.”

Therein lies the central tension of executive recruiting: the stubbornness of the status quo, which some headhunters are rebelling against. “It’s still all the same people!” Renee Neri says to the suggestion of a changing search industry. A rising star of asset management executive search, the Heidrick & Struggles principal isn’t just talking about the Big Four (one of whom, Jane Marcus, she worked under and admits to adoring). To Neri, all the talk about bringing in nontraditional job candidates is just that—talk. “It’s still just a revolution of the deck chairs.”

Which raises the specter of disruption. At this point, Uber is as much a management cliché as it is a business—but it also poses a pressing question. “On the asset management side, services like LinkedIn and other changes are taking away some flow,” says Neri, who focuses on public fund, family office, insurance, and health care fund searches. “People post jobs to the CFA Institute website; *Pensions & Investments* has job boards. It’s become slightly more commoditized. Asset management firms are building their own talent acquisition teams, which also take away business. But on the asset-owner side, because of governance issues, lack of resources at some funds, and the relatively narrow field of candidates, it is less disrupt-able.” Of course, taxi medallion holders thought that too.

There are those on the other side of the table from recruiters who would be all too happy to see disruption occur. A recent conversation in a Greenwich Village coffee shop highlighted this point. Upon hearing that one of the patrons was interviewing at a hedge fund, I mentioned this in-progress article. The patron was not a fan of recruiters. After a brief back and forth, I suggested that perhaps there was a level, far below the Big Four, that could be categorized as “hustlers.”

“That’s exactly what they are,” he responded, and left.

But this is all rather obvious.

When you left for college, your mother probably reminded you of a few key life points: Do what you love, do it well, don’t do it for the money, and treat people like you’d like to be treated. (And maybe, don’t drink too much.) The advice from executive recruiters, and from those who have successfully navigated the recruiting process, is pretty much the same—which raises the question of just what, exactly, puts a candidate over the edge.

To find out, I called Deb Brown for approximately the fifth time in a week. When we met for coffee the next day (we could literally see Barrett’s office from the café), she had a one-word answer: “leadership.”

“Take the Ontario Teachers’ CIO search, for example,” she explained. (Her firm Russell Reynolds is currently working with Ontario Teachers’ Pension Plan to find a replacement for outgoing CIO Neil Petroff, arguably the most prestigious CIO search in the market.) “It’s unusual because it’s a large pool of directly invested funds, with six investment teams running the gamut from traditional public equities to real estate and infrastructure. Because of this, we are scouring the planet for people who are pioneering and can think very broadly about portfolio construction. We are looking for a potential nonlinear career—it could be an investment banker who went to private equity, it could be someone who’s spent some time in corporate finance, maybe someone from an opportunistic family office—and we’re looking for someone who can lead that organization and has business-building skills.”

The problem with leadership as a concept is that it is exceedingly broad, and not something a candidate’s LinkedIn will tell you. In essence—although she is too dignified to ever say it—this is exactly why funds are still paying substantial sums to hire executive recruiters like Brown.

So next time you’re peacocking down Park Avenue, chest puffed to full breadth, it better be because you’ve taken the offer. —*Kip McDaniel*