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Multi-boutique strategy and the talent wars. *FP12*

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S&P/TSX
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DJ Ind.
11,382.26
+32.25



Dollar
CLOSED



Gold
US\$944.50
+US\$16.20



BRETT GUNDLOCK / NATIONAL POST

Co-CEOs of Connor, Clark & Lunn Financial Michael Freund, left, and Warren Stoddart are partners with their talent.

One Bay Street firm's multi-boutique approach to the talent war is the first of its kind in Canada

Offers of ownership woo asset managers

BY DARYL-LYNN CARLSON

The principals at Connor, Clark & Lunn Financial Group have found themselves pleasantly benched in the heated war for top talent in the financial markets. That's because they are essentially the owners, who reap rewards from the firm's success. This business structure is referred to as a multi-boutique model and while it's a common arrangement in the financial sector in the United States, Europe and Australia, CC&L is the only asset manager in Canada to adapt it.

"We've evolved this way in the past 10 years or so," says Michael Freund, co-chief executive and managing partner at the firm. The company employs about 200 people, including more than 60 people who are in investment management decision making roles, in offices across Canada.

"Nobody's come up with a better way of attracting the brightest people than having them be owners in their own business as principals. We partner with our talent in a structure where they're able to own a piece of their business with Connor Clark & Lunn, and the benefits of that we see through commitment, tenure and retention," he says.

The multi-boutique structure allows each division to operate autonomously and is intended to address the fundamental reality of the asset management business in particular, which the firm emphasizes is plainly its ability to retain intellectual talent.

"In our industry, there are three types of functions: people who make investment decisions, people who sell product — which we call distribution — and people who manage the business and conduct the operational aspects," says Warren Stoddart, co-chief executive with Mr. Freund.

"If you can somehow separate those functions, then you can create cultures and compensation mechan-

isms that are appropriate for each and allow the three functions to interact on a peer-to-peer basis."

The separation of functions is important, he says, "because if you're working in distribution in a company that has a structure where investment management decision making is a dominant part of the culture, which is very typical of institutionalized asset managers, then you can feel like you're a second-class citizen."

At CC&L, each practice area is intentionally small to facilitate a tight focus on the work at hand. "The culture rests on the notion you want people focused on what they do best," Mr. Stoddart says. "What flows from that is you have trust in your partners to do their job. So if you're talking about putting together people who do different things well, then they have to be operating on the same plane. It's not one person telling another what to do."

Professionals are compensated based on their direct contribution to the company, Mr. Freund says. "We don't have bonuses, we each get paid a modest base salary and these various divisions are owned in proportion to the value you create and whatever value you create is paid out in proportion to ownership."

Many companies lure professionals with perks that range from signing bonuses to company vehicles but CC&L contends its structure creates an informal workplace environment that, coupled with its approach to remuneration, makes it an attractive place to work for the top talent in the highly competitive industry. "We have quite a few people who in former lives, have run very significant money management and wealth management operations and it's quite unusual for so many successful people with significant managerial experience to be housed under one roof like this, co-exist and all get on," Mr. Freund says.

"What motivates people is the reality that they have control over the day-to-day lives and the circum-

stances in which they work," Mr. Stoddart says. "If somebody wanted to take six months off I guess that's their business and we'd discuss it as partners, but people do what they want to do, they don't get paid by the hour. It's not a competitive organization where if someone wins, you lose."

The multi-boutique concept for asset management companies is created largely through acquisitions. CC&L, Canada's second-largest independently owned asset manager, was formally established in January, 2003, after a series of acquisitions. In the past five years, it has grown to collectively manage \$37-billion from \$14-billion.

Pressure from individual and institutional investors to generate positive results, and the realization investment professionals perform better if they work independently on pure investment management tasks with the support of the company's peers and resources, the concept was born. The attraction of the multi-boutique structure is there's an emphasis on lifestyle and manageable workloads, which remains elusive for many financial professionals.

In a recent survey by Robert Half Co.'s Accountemps 26% of chief financial officers at more than 270 companies across Canada said heavy workloads were of greatest concern, and 24% were concerned about work-life balance. In a market that's becoming increasingly competitive, Trent Arendse, Accountemps's Toronto-area branch manager suggests the CFO survey serve as an alarm for employers worried about retaining their professionals.

"Top talent-wise, there is competitiveness always," Mr. Arendse said. "You have to make sure you constantly entertain the ones that you have and employers have to be very cognizant that their top talent is looking regardless of whether you think they're 100% loyal to you, because there is always someone tapping on their shoulder."

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