CFA Institute®
Future of Finance

THE FUTURE OF WORK IN INVESTMENT MANAGEMENT

THE CONTEXT OF CAREERS

CFA Institute is a global community of more than 171,000 investment professionals working to build an investment industry where investors' interests come first, financial markets function at their best, and economies grow. In the mainland of China, CFA Institute accepts CFA® charterholders only.

ISBN: 978-1-956563-14-6

THE FUTURE OF WORK IN INVESTMENT MANAGEMENT
THE CONTEXT OF CAREERS

CONTENTS

Introduction 2

Who Seeks Hybrid Work, and Will It Be Effective? 3

How Should Investment Professionals Manage Their Career Paths in a Hybrid Work Environment? . . . 9

How Will Investment Industry Leaders and Organizations Need to Adapt to Make Hybrid Working Effective? 12

Conclusion 17

Endnotes 18

About the Report. 19

PL Qualified Activity CFA Institute

This publication qualifies for 0.5 PL credits under the guidelines of the CFA Institute Professional Learning Program.

INTRODUCTION

The disruption to work caused by the COVID-19 pandemic has led investment industry leaders and employees to think more carefully about what work might look like in the future. The consequences of the forced experiment in remote work, the lessons learned along the way from shifts in work patterns and practices, and the social changes in workers' attitudes and expectations have set the stage for a new model of working. Investment professionals recognize the need to define their future career paths, and leaders must develop a deeper understanding of the dimensions and implications of work to sustain their firm's edge in a world of accelerating workplace change.

In this report, we focus primarily on where work takes place and the anticipated impact of hybrid work environments on the investment industry. Hybrid work arrangements allow employees to spend part of their working hours at the office and part at another location. We address some of the pressing near-term questions facing many in the industry about the return to work, while recognizing that global differences in the current state of work environments continue. Moreover, this report—part of the Future of Work series—focuses on how adaptations made today may change the trajectory of how the industry works in the next 5 to 10 years and beyond.

Methodology

To examine the future of work in the investment industry, we analyzed responses from a combined 9,000 investment professionals globally across two surveys. In addition, we gathered survey input from leaders at 41 investment organizations representing more than 230,000 employees.[1] More than 100 investment and human resources professionals in the investment management industry provided qualitative input through virtual roundtables. These roundtables included participants from more than a dozen markets: Australia, Canada, China, India, Japan, Malaysia, Singapore, South Africa, Switzerland, the United Arab Emirates, the United Kingdom, the United States, and Uruguay.

In a 2019 global CFA Institute member[2] and candidate survey, only one-third of those surveyed said that flexible and part-time work arrangements, with commensurate pay and benefits, were possible at their organization.[3] Despite some prominent headlines by leaders committing to return to a traditional office environment,[4] approximately three-quarters of leaders from the investment organizations we surveyed indicate that their policies will strongly support both remote (performed outside of the office) and flexible (performed outside of typical business hours) work arrangements in the future.

Although some of these policies existed previously, organizational leaders have now committed to making these work arrangements more culturally accepted. This dramatic shift in both types of policies illustrates that an industry once reluctant to support remote and flexible work now recognizes the feasibility and desirability of such policies for attracting and retaining talent. What had been case-by-case exceptions to the rule will likely become accepted practice.

In this report, we look at who seeks a hybrid work environment and if hybrid work will be effective for investment professionals, investment organizations, and those they serve. We also explore how hybrid work could change investment management career progression and how organizations can demonstrate leadership during this time of workplace disruption.

WHO SEEKS HYBRID WORK, AND WILL IT BE EFFECTIVE?

This pair of questions has been at the center of the return-to-work discussion. Those who are confident in the efficiency and effectiveness of hybrid work are among the strongest advocates for making it the industry norm. Among our roundtable participants, most expect the industry to move toward a hybrid model, but only a slight majority are confident that this move will result in a net gain in productivity. The success of remote and flexible work policies will ultimately hinge on creating inclusive environments in team settings with staff distributed across physical and virtual settings. For industry leaders, setting clear expectations for teamwork, fostering a collaborative culture, and focusing even more on transparent communications will be vital.

Among CFA Institute members we surveyed, 81% would like to work remotely part of the time (i.e., a hybrid work arrangement), although we found significant differences by region, age, and gender.[5] Meanwhile, 82% of respondents said remote working has had a neutral or positive effect on their efficiency (29% neutral, 33% positive, 20% very positive). Those who manage others were less confident about the efficiency of those they manage, however—only a third of managers said the efficiency of their employees had increased. This apparent dissonance underscores the importance of setting clear expectations and transparent communications in a hybrid environment, as well as the need for trust and empathy in manager–employee relationships.

Demographic Differences

By Market

Exhibit 1 compares the relationship between an individual's desire for a hybrid work arrangement and their perceptions of remote work efficiency, both personally and regarding their direct reports.

By region, interest in remote working was highest in the Americas (85%) and in Europe, the Middle East, and Africa (85%) versus Asia Pacific (69%). Only 45% of respondents in China had interest in hybrid work, much less than those in other markets. The markets with the most interest were Australia, France, Germany, South Africa, and the United Kingdom. In South Africa and France, desire for remote work was high and self-perception of efficiency was high.

In the other three markets, although desire for remote work was high, self-perception of efficiency was only moderate.

In all four markets where interest in hybrid work was the lowest—China; Hong Kong SAR, China; India; and Singapore—no more than 50% of respondents thought their own efficiency had improved. In some cases, this resulted from better office infrastructure compared with remote working. Other respondents had concerns about supervision in job roles (such as traders) where calls must be recorded for compliance. For some investment professionals, space available for working in remote locations (e.g., at home) is a significant constraint.

In all markets, managers' perceptions of their own efficiency was more positive than their perceptions of their employees' efficiency. This perception gap was largest in the Netherlands and Brazil, followed by South Africa, Switzerland, and the United Kingdom. Such dissonance about employees' efficiency may indicate a less trusting environment through the experience of remote work, which may surface biases regarding remote workers that will need to be addressed through empathy, clear goal setting, and more frequent communication.

Several roundtable participants from multinational firms observed that investment professionals in Asia tend to be eager to demonstrate their diligence, such that many choose to work from home for only one to two days per week. This dynamic may also reflect the generally younger workforce demographic in Asia and the competitiveness of the job market for new entrants. Separately, interest in hybrid work is high in both Europe and the United States, especially in locations where commutes tend to be long.

Some roundtable participants suggested that it will take years to determine whether hybrid models will lead to meaningful productivity increases or affect investment firm performance positively. Meanwhile, respondents generally considered the loss of face-to-face interactions as a drawback that will only increase the longer such interactions are absent. A textbook definition of productivity focused solely on output quantity is not necessarily the right measure to use when designing policies for hybrid work arrangements. Rather, the aim should be to maximize overall effectiveness.

EXHIBIT 1. DESIRE FOR REMOTE WORK AND PERCEPTIONS OF EFFICIENCY, BY MARKET

	I would like to regularly work remotely for some portion of the work week on a long-term basis (even after the pandemic health risks subside) (Agree + Strongly Agree)	I have been more efficient during remote work (Agree + Strongly Agree)	Those I supervise have been more efficient during remote work (Agree + Strongly Agree)	Difference in perception between own efficiency and others'
France	93%	68%	52%	16%
United Kingdom	89%	53%	32%	21%
Australia	88%	52%	33%	18%
South Africa	88%	72%	49%	23%
Germany	88%	55%	41%	13%
Netherlands	86%	51%	24%	27%
Brazil	86%	46%	21%	25%
Canada	85%	55%	36%	19%
Japan	85%	64%	54%	10%
United States	84%	57%	39%	17%
Switzerland	83%	52%	30%	22%
India	75%	50%	34%	16%
Singapore	68%	47%	36%	11%
Hong Kong SAR, China	61%	34%	22%	13%
China	45%	36%	30%	6%

Note: Difference in perception column may include differences from the preceding columns because of rounding.

Source: Investment Professionals Survey, March–April 2021.

Investment professionals at all stages of their career must revisit their networks and reimagine how to nurture those relationships in the hybrid world of work. The effectiveness of collaboration, particularly in a cross-functional context, depends on strong relationships, which can decay somewhat without in-person interactions. Further, maintaining and building professional networks—traditionally done through in-person meetings and industry events—will become more challenging. Although technology can assist through increased efficiency, it cannot fully substitute for in-person interaction.

One organization in China explained that initially, its leaders believed that working from home would not affect organizational performance and that it would save money. Despite this initial view, the organization has since returned to in-person work and determined that the office environment offers a better atmosphere for team discussion, especially for research. Management found that although investment professionals can write reports at home, having staff working in the office and discussing their research with colleagues led to better decisions.

In terms of cross-border engagement, video conferencing quickly became the norm following the onset of the pandemic. Several roundtable participants agreed, however, that in Southeast Asia, video calls are culturally seen as "inferior" to in-person meetings. Especially among investment professionals in China who returned to the office after a shorter period than their Western counterparts, such concepts as "video coffees" and online networking have not been very popular. Roundtable participants in China expressed concern about the psychological health of their Western-based colleagues who have been working remotely and have been isolated for so long.

> "I think human beings are still social animals. Why should everyone sit together in a room? Because … then we have eye contact. This eye contact is indeed different from that through the screen…. If you want to understand a person's emotions and have a deep communication, you need to have face-to-face communication."
>
> —Roundtable participant in China

By Role and Organization Type

The buy side and the sell side of the investment business have generally taken very different approaches to the emerging hybrid work environment. Investment management firms and hedge funds seem to be more positive about remote work effectiveness than sales-based organizations, which are generally focused on having employees return to the office more quickly.

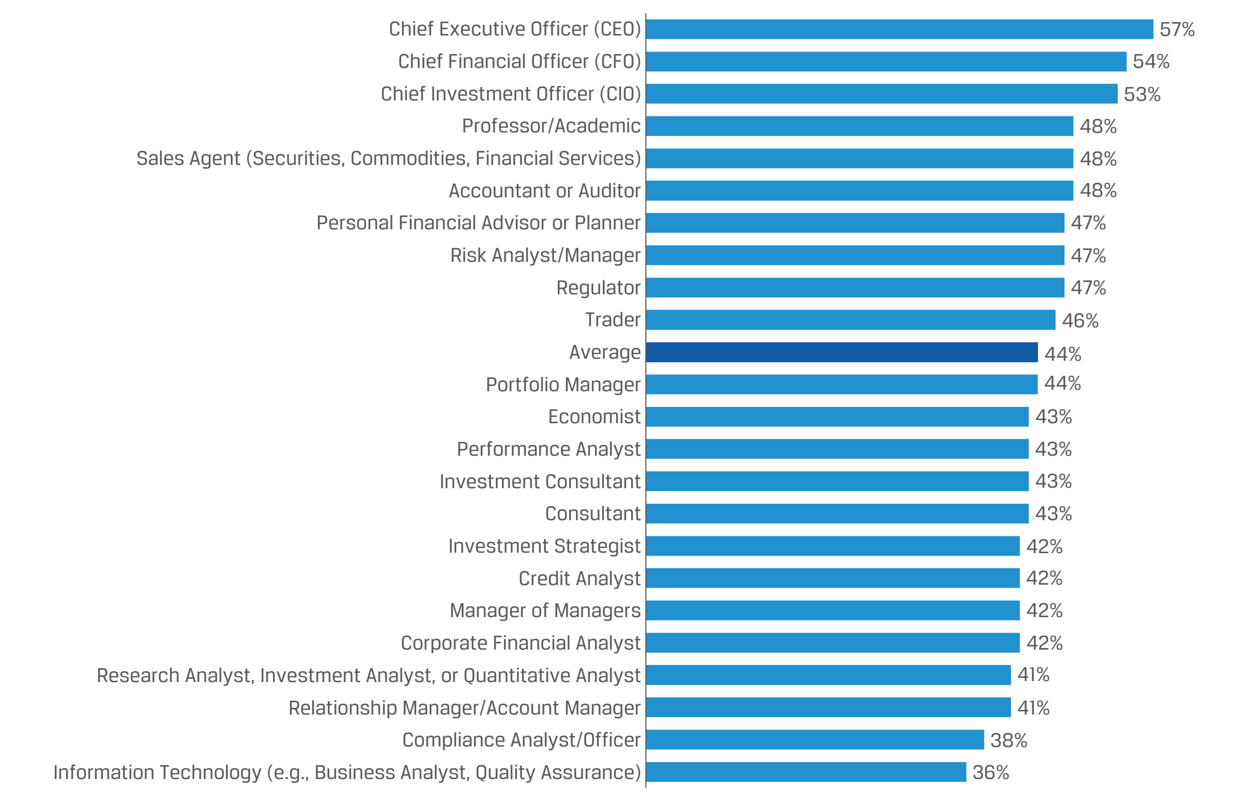
Another observation from the roundtables was that if an organization's culture is primarily results-driven, location should not matter. Rather, hybrid arrangements should work as long as individuals' efficiency is high enough to complete tasks within the specified time. One roundtable participant noted that the more specialized a role, the less being in the office matters. In a recent article, McKinsey reported that finance and insurance are the sectors with the most potential for remote working, estimating that 76% of work could be done without losing productivity.[6]

Roundtable participants could not reach consensus on whether productivity in investment teams was higher or lower with a hybrid model. These teams often need to work together very closely and share ideas regularly, so some organizations have decided that investment teams need more days in the office than other functions.

Many human resources departments are surveying employees about their preferences and analyzing roles for hybrid work eligibility. Of the investment professionals we surveyed across various job roles, respondents across all roles indicated they can perform a significant percentage of their job from home. Even roles that were thought to be largely incompatible with remote work—such as CEOs, chief investment officers (CIOs), and even traders—have proven to be adaptable. **Exhibit 2** shows that the amount of time needed in the office for maximum productivity on average is 44%, with a range from 36% to 57%.

We found that the structure of investment professionals' work seems to support a hybrid model. Overall, 43% of CFA Institute members surveyed said they spend at least half their time engaging in activities requiring teamwork, and about 38% said they spend at least half their time doing work

EXHIBIT 2. PERCENTAGE OF TIME NEEDED IN THE OFFICE FOR MAXIMUM PRODUCTIVITY



Note: N = 2,586 respondents.

Source: Investment Professionals Survey, March–April 2021.

that requires focus and a lack of interruption. CEOs, CIOs, information technology roles, and managers of managers need the most teamwork. Professors, credit and research analysts, and economists need the most uninterrupted time.[7]

By Gender

As shown in **Exhibit 3**, the most popular preference for a hybrid work arrangement—to work remotely two days per week—was the same among both men and women (33%), and responses by gender were also similar in terms of those desiring fully remote work (10%–11%). These findings show that both men and women seek flexibility, although we also found differences. Women are more likely to prefer working remotely for the majority of the week, with 43% of women indicating they would like to work remotely three or four days per week, versus 35% of men. On the other side, men are over 60% more likely than women to favor working in the office four or five days per week (21% for men versus 13% for women).

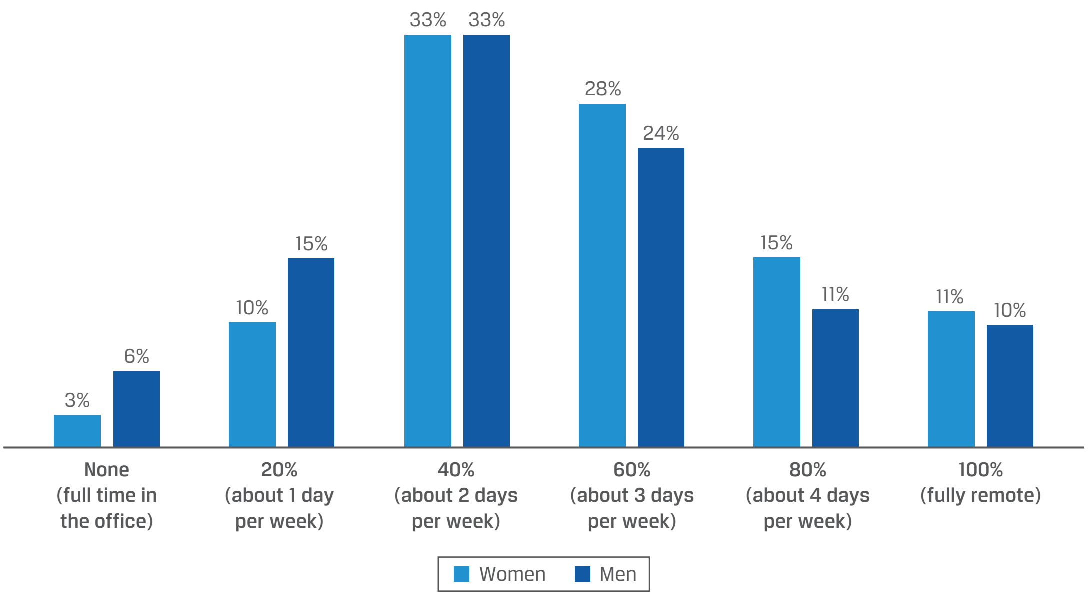
For the many investment firms striving to attract more women to their ranks, openness to hybrid and flexible work can differentiate them, especially because women in the investment industry consistently spend more time on dependent care compared with their male counterparts.[8] The challenges of dependent care became particularly acute because the pandemic precluded the availability of caregivers. On the other end of the spectrum, McKinsey found that across sectors, employees who had no children under age 18 were nearly three times as likely to prefer on-site work.[9]

Even though circumstances will change as schools return to session and other caregivers become available, firms must be certain to negate any potential biases regarding the productivity of employees who have additional care responsibilities. As workers re-enter the office environment, the experience may parallel that of employees returning from parental leave or other career breaks. Hybrid work also offers new opportunities for investment professionals who left jobs because of the practical constraints of office presence.

By Career Stage

Investment professionals with less than two years of industry experience were least likely to desire remote work, consistent with our expectation that learning on-the-job skills from others in a remote or hybrid environment is difficult, especially without the benefit of a robust professional network. As their peers return to the office—even in different industries—early-career

EXHIBIT 3. WHAT PORTION OF THE WORK WEEK WOULD YOU LIKE TO WORK REMOTELY ON A LONG-TERM BASIS (EVEN AFTER ANY PANDEMIC-RELATED HEALTH RISKS SUBSIDE)?



Note: N = 2,734 respondents.

Source: Investment Professionals Survey, March–April 2021.

employees face a fear of missing out. These fears arise from the perception that increased face time with management will increase advancement opportunities, compensation, and cross-functional collaboration—all points of emphasis for junior employees. Beyond this early career stage, however, preferences become difficult to generalize by age because both job performance and life experiences start to diverge within peer groups.

Lessons from All-Remote Working

Although these analyses provide lessons for industry leaders, they are based on the experience of all-remote work and must be considered in that context. Establishing a sustainable and scalable hybrid work environment will be complex to manage in practice. When the entire workforce is either all in person or all remote, the approach to managing relationships becomes uniform. Industry professionals that have managed all-remote work well should not be overconfident; a hybrid work environment will be more complex. At the same time, elements of hybrid work have long been part of the standard practice at firms with multiple offices, albeit not at scale.

Remote work forced investment professionals to be more conscious of their time. A short two-minute call often replaced a longer scheduled meeting. As one participant said, "The days of hour-long meetings are over; people come more to the point now, and faster, quicker, more direct communication will prevail."

One example of differing views of efficiency and effectiveness relates to "task-switching." The natural time buffers between in-person meetings—and even commute time to and from the office—gave employees time to think and process more readily than when working remotely. In a remote environment, the absence of these workday transition points and time boundaries can impede focus.

Those organizations already using a hybrid model have noticed that colleagues take more time to talk with each other when they do meet in the office. They are truly happy to see each other, they have better conversations, and they are forging new relationships—all of which can lead to more productive collaborations.

Those organizations already using a hybrid model have noticed that colleagues take more time to talk with each other when they do meet in the office. They are truly happy to see each other, they have better conversations, and they are forging new relationships—all of which can lead to more productive collaborations.

Meanwhile, others have found they are revisiting early assumptions about where to perform work effectively. Among those in open office environments, many now find that the best location for a one-to-one conversation or formal meeting is at home via a video call, where it is quiet and private, and informal team interaction is better done at the office. Creative engagement, ideation, and innovation often happen best in unstructured in-person interactions.

Inclusion in a hybrid working model must be done with intention. Although there is reason for optimism that remote work can open more possibilities for hiring diverse talent, a hybrid environment also poses risks to inclusion that could be more challenging than in an all-remote workforce. An all-remote environment leveled the playing field in many ways, with each person given equal screen space and multiple ways to contribute during team meetings. As different personal situations pulled some workers into constant multitasking, however, a two-tiered system emerged between those with the freedom to be on camera without interruptions and those whose audio-only presence limited their ability to engage. A hybrid approach will be more difficult to manage in terms of being inclusive, so leaders must strive to create the right conditions for effective and engaging teamwork by establishing clear expectations and an open culture.

What Worked

Most investment professionals we spoke with agreed that the biggest benefit of the all-remote work period has been improvement in communications and inclusive meeting practices. One person summed it up this way: Hybrid working has taught us "to raise our hand and take turns." Others noted that some senior executives were forced to become more self-sufficient in terms of managing their calendars and other administrative tasks. Private wealth managers said seeing clients via video conference gave them glimpses into their lives that they had missed when meeting at the wealth manager's office.

What Did Not Work

In general, business-as-usual activities proceeded without issue, but the pain points for the industry came in high-trust activities. These included due diligence work for considering new investment mandates as well as managing the risk environment. As one risk manager noted, on a trading desk, he would look for emotion to see where risk would materialize and listen to know if it was too loud or too quiet. Such clues could not be detected in a remote setting. The productivity of sales teams increased significantly during this time because travel was halted, but these teams reported that it was more difficult to win new clients and build trust. In addition, in a remote work environment, managers may find it difficult to know if something is troubling an employee, creating challenges for retention.

Governance issues also emerged, and virtual or hybrid annual general meetings had practical and technical barriers that limited shareholders from effectively exercising their rights.[10] Also, without in-person board meetings, investment professionals could not clarify issues on the sidelines individually.

Others lamented some of the communication challenges inherent in the reduction of non-verbal cues. Although interruptions were less frequent when working virtually, the focus on productivity crowded out time for humor as well.

Sustaining Productivity

With recent positive experiences from remote working still front-of-mind, many are questioning whether any productivity gains are sustainable. Organizations will need to invest in leadership and management capabilities to motivate employees without regular in-person engagement. Concerns about burnout and employee wellness are increasing, and leaders worry that their teams will be unable to keep up with the current demands on their time—which may in itself be an unreasonable expectation.

Hybrid Is Not Ultimate Flexibility

There is a thin line between flexibility in work and hybrid work. Using the terms "hybrid working" and "flexible working" interchangeably oversimplifies these concepts. Although investment organizations are updating their policies in both of these areas—and both are desired by investment professionals—too much flexibility may actually hinder the success of hybrid work.

Managers should provide employees with guidance on how to engage in hybrid work in a way that maximizes the effectiveness of the team and organization. Hybrid work does not mean ultimate flexibility for each individual, but it is likely to mean much more flexibility than in the past. As Shundrawn Thomas of Northern Trust said at the May 2021 CFA Institute Alpha Summit, "We realize we can be more flexible."

Certain roles can be more flexible than others, depending on their level of predictability. According to CFA Institute members surveyed, the least predictable job roles—those for which less than half the working day is predictable—are analysts, economists, and consultants. These roles might be expected to be always accessible even in a flexible working environment. In some cases, leaders can build team structures to create additional coverage. Organizational and individual flexibility are necessary to enable a high level of responsiveness to key stakeholders or market events.

Along with flexibility, hybrid work offers the opportunity for increased autonomy, which is attractive to investment professionals. Although 62% of employees in the Investment Professionals Survey were satisfied with their current level of autonomy, 31% would work more hours for greater autonomy. Overall, 64% of CFA Institute members we surveyed said they expect to have more autonomy than they did prior to the COVID-19 pandemic. As organizations determine their plans for hybrid work, increased levels of autonomy will need to be calibrated to ensure individual and organizational effectiveness.

HOW SHOULD INVESTMENT PROFESSIONALS MANAGE THEIR CAREER PATHS IN A HYBRID WORK ENVIRONMENT?

Will Working Remotely Impact the Ability of Investment Professionals to Advance and How They Are Evaluated?

Across professional services, nearly 60% of individuals say it would harm their career advancement if they admitted to their supervisor that they would prefer to work remotely.[11] One senior leader at a roundtable commented that in the hybrid model, a new hierarchy could emerge for those who are in the office and those who are not—and that younger investment professionals who build face time with leaders will do better in their careers. This situation underscores the need for a paradigm shift among senior leaders of investment organizations in order to avoid perpetuating old philosophies.

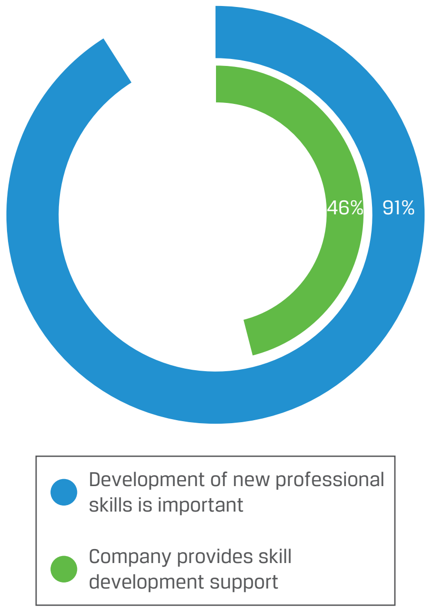
To be effective in a hybrid team environment, organizations must establish concrete guidelines for meeting etiquette, mandatory in-person working time, and performance evaluation protocols in order to ensure that employees understand their commitments and can avoid unintentionally disadvantaging themselves. Likewise, employers must create boundaries to deter competitive performers from creating "presence inflation"—whereby eager employees return to the office to increase face time beyond what is optimal for organizational effectiveness, creating competition among employees and fears of being left behind in career advancement.

Organizations are working to assist managers in avoiding biases that can affect performance evaluations, and ongoing feedback will become much more important in a hybrid environment than in a traditional in-person work setting. Some see the offer of flexibility as one that is not really meant to be accepted, akin to the trend toward "unlimited" vacation policies offered as a way to attract talent but that often lead employees to take *less* vacation time overall.[12]

How Will Learning and Development Change in a Hybrid Environment, Particularly for New Entrants?

The rapid changes in the investment industry have created a greater urgency for investment professionals to build new skills. Among those we surveyed, 91% responded that to further their career, it is important for them to actively develop new professional skills. As shown in **Exhibit 4**, however, less than half said their company provides support to develop the new skills they need, which could come in the form of leadership and development training, financial support, or having a mentor or sponsor who advocates for them. Learning time was also more limited for many

EXHIBIT 4. NEED FOR SKILL DEVELOPMENT VS. COMPANY SUPPORT



Note: N = 3,752 for development of skills is important; *N* = 3,454 for company provides skill development support.

Source: Investment Professionals Survey, March–April 2021.

investment professionals as their working hours increased.

Support for skill development may be changing, however, as companies recognize the need to upskill their workforce. One roundtable participant explained that in the past, her company preferred to buy new talent versus build it. The organization could go to the market and recruit the necessary talent, but competition with technology companies for digital skills has made recruiting more challenging. Investment firms cannot afford to wait for a new generation of talent to emerge from the educational pipeline; they must invest in more training now.

Roundtable participants held a strong consensus that on-the-job learning and onboarding are more difficult to accomplish in a virtual or hybrid environment.

New employee training is often conducted through shadowing managers and teams and observing what they do. Establishing personal connections virtually is more difficult, and new entrants are likely to be hesitant about asking their new manager a steady stream of questions—or even knowing what to ask. Onboarding in a hybrid work environment presents a challenge for new joiners and hiring managers alike, but not an insurmountable one.

Spontaneous learning and shadowing are being replaced by more intentional training and dedicated time devoted to personal development. In a hybrid model, an employee may easily be productive at a desk but not learn much along the way. Although organizations appreciate the need for continuing education, employees continue to do much of it on their own time. Firms should intentionally allocate staff time to training and development, helping to empower employees to prioritize that aspect of their careers.

Virtual Training

The COVID-19 pandemic has dramatically disrupted the headquarters-based in-person training model, so many investment organizations have recently launched online training courses—with mixed results. In general, technical topics have been well received and can be taught remotely. Global organizations have more experience with online training and have seen the benefits of consistent delivery across their workforce, although employees are less enthusiastic about virtual trainings for groups within a single country or office. Several roundtable participants mentioned their organization has provided training on how to conduct presentations by video, an area generally seen as a skills gap.

New Approaches to Training and Development

The shift to virtual learning has led to changes in learning formats. With "Zoom fatigue" a concern, some organizations have moved to shorter, "bite-sized" content and a greater focus on learning habits.

Even with these adjustments, many of the most successful career development efforts are experiential, and organizations expect to revive them when conditions permit. These endeavors include rotational programs and systems that allow employees to apply to work on special projects. At least one organization has a "job exchange" program in which each year, several employees from branch offices work at headquarters for one year. The branch office covers the expenses of this program, and the headquarters team tracks the individual's performance.

How Does the All-Virtual or Hybrid Work Context Affect the Ability to Build and Sustain One's Professional Network?

The investment industry thrives on networking and collaboration, and events and seminars have always played an important role in building and maintaining these networks. For individuals seeking a long-term career in the investment industry, a key question is whether networks will become more fragile and decay after long periods without in-person connection, or if technology solutions can fulfill networking needs.

Although it might appear that a hybrid environment would reduce network effects, many investment professionals have found that their networks are not necessarily impaired, just different. Research by Microsoft, using data available through its Teams platform, indicates that interactions have become more siloed, and the strength of workplace bonds has decreased in distant networks but increased in close ones.[13] With greater online access to all our contacts, we now have more choices. As one roundtable participant observed, mid-strength network connections have been metaphorically "hollowed out." Those people who we no longer see in the hallways—those in the outer ring of our network—have mostly vanished from our lives, but we are even closer with those we have been working with during this time.

With fewer spontaneous interactions, employees have fewer opportunities to casually meet potential mentors. Although some organizations have formal mentoring programs and continued them during remote work, many investment professionals say the best mentorship relationships develop organically.

Recommendations for Investment Professionals

1. Know yourself and own your schedule

When determining a hybrid work arrangement, be aware of your working style, including where and when you are most effective for different tasks, and proactively manage your schedule to maximize your effectiveness in both remote and office settings. Balance your needs with those of your clients and your team.

2. Learn more intentionally

Take control of your career development. Do not expect anyone else to set your development goals or career opportunities. Be proactive—determine the portfolio of skills you need to stay current, and fill any gaps with intentional learning. Find a mentor, and make their time with you worthwhile.

3. Nurture your network and communicate often

Take the time to invest in your personal network, both internally and externally. Regular contact with your manager and internal stakeholders allows you to be present even when you are not physically in the office. Do not allow distance to lead to distrust. Transparency and feedback are the hallmarks of an effective working relationship. Reimagine your external networks in the hybrid world of work, embracing technology alongside traditional in-person opportunities, and use social media purposefully. Find ways to help others in your network so you do not need to rely on weak contacts when you need them.

HOW WILL INVESTMENT INDUSTRY LEADERS AND ORGANIZATIONS NEED TO ADAPT TO MAKE HYBRID WORKING EFFECTIVE?

Organizational challenges abound as leaders attempt to navigate the post-pandemic return to work. Employee burnout and mental health have become points of concern for almost every organization. Workspaces are being redefined. The decisions leaders face today will have a lasting impact on which organizations can adapt and thrive in the future.

Managers must develop different skillsets in order to empower their teams to succeed in a dispersed work environment. They must adapt their leadership styles and emphasize open communication. Managers will also need to add value to teams and extend organizational influence in different ways from the past.

Supportive leaders have always been important to retain staff, but now their leadership has also become a primary motivator, with 51% of survey respondents indicating that they are motivated by a good team/supervisor versus 36% in 2019.[14] Leaders' responses—whether good or bad—to pandemic stresses in their employees' lives will have lasting effects on relationships and employee engagement. Among investment professionals we surveyed, 58% are confident in the ability of leaders to manage teams in a hybrid work environment.

Burnout and mental health should be proactively addressed. During the COVID-19 pandemic, burnout became widespread; among those surveyed, the number of investment professionals working more than 60 hours per week nearly doubled, from 8% to 15%. This finding held true across regions and gender, and it was especially prevalent among individuals with less than 10 years of work experience. Organizations we surveyed cited their employees' mental health as one of their top concerns. Meanwhile, the pandemic has prompted more attention to positive organizational purpose, and organizations and their employees have a greater focus on outcomes that are bold and inspiring and that support belonging and motivation.

How Much Will Location Drive Business and Talent Decision Making versus the Past?

The shift to hybrid work is prompting a change in hiring locations, although among roundtable participants, only a slight majority agreed that financial centers will be less influential in the future. Although anecdotally some investment professionals have moved away from cities to avoid long commutes and high costs of living, among the investment professionals we surveyed, only 16% planned to move their primary residence because of a new hybrid work situation, and just 3% had already made such a move. For many organizations, tax and legal implications still create significant challenges with respect to hiring, and global mobility has not yet rebounded since the start of the pandemic.

Historically, banks have had some of the most impressive buildings in any city, and a firm's building was a part of its identity—a way to convey its brand and trustworthiness. Now, many investment organizations have hundreds or even thousands of employees who have never worked inside the building. Organizations are re-evaluating the purpose of corporate office space and recognize that a building itself will not necessarily lure employees back.

Some large employers are eager to reduce their real estate footprint, but many others are taking a wait-and-see approach, recognizing that even if the office is less likely to be full, there may be a need for more physical distancing while health concerns persist or resurface. Given the strong growth in the financial industry during the last two years, several organizations indicated they had already outgrown their space and would be unable to house their staff on the existing premises if they returned to a fully in-person arrangement. One smaller organization noted that it saw the pivot to hybrid work as an opportunity to be agile and build capacity in a cost-effective manner.

Many organizations expect to use their office space in different ways from the past. They no longer need large spaces for "town hall-style" meetings and instead have a greater focus on collaborative spaces. Part of their goal is to transform the environment to be more conducive to innovation. One organization once used private offices as a measure of competitiveness—whoever had the worst performance each year would have to move out of their private office. Offices no longer have the same significance, and at one organization, even partners now need to reserve a room before coming into the office. Some organizations are planning upgrades to meeting room technology to enable hybrid meetings.

How Will Firms Reimagine the Office to Facilitate Serendipitous Communication?

The disruption to unintentional and unplanned communications that have beneficial outcomes—often called "watercooler talk"—is a frequent concern and criticism of hybrid and remote work. Such conversations can provide opportunities for collaboration and insight across working groups.

Watercooler conversations have come to symbolize the heart of innovation and creativity within an organization. Research shows that these serendipitous conversations are more limited than we realize, however, because they typically only occur among employees who were already in close proximity. In fact, the likelihood of having unplanned conversations exponentially decays based on the physical distance separating the two parties.[15] That does not mean that watercooler conversations lack value, but their impact is not as broad as many perceive. Organizations must consider alternative methods to foster creativity and innovation through geographically dispersed groups.

Technology can help facilitate these spontaneous points of communication. Virtual watercoolers—consisting of small groups with varying backgrounds and seniority levels—have been successful in improving job performance and career outcomes.[16]

Nevertheless, technology is not a pure substitute for in-person and serendipitous interaction. Breaking down silos should be a top priority for leaders, who can orchestrate the informal watercooler talk. Some ways to create intentional interactions and strengthen collaboration include structuring meeting time to create personal connections, creating goals that encourage interdepartmental collaboration, and training employees how to work remotely while staying engaged with the business as a whole.

What Should Organizations Do to Attract and Retain Talent?

The disruption to work has prompted many professionals to re-evaluate their careers, and investment firms are competing fiercely for top investment talent. According to one executive recruiter in the industry, the war for talent has not been this challenging for firms since 2006–07, but employee motivations today are different. Back then, it was all about a company's brand and compensation—now it is all about purpose.

When we surveyed our members about motivations, they cited compensation as the most important factor.[17] In reality, though, it is not that simple—the motivation equation has several variables. For example, sought-after investment leaders expect they will need to make sacrifices for their career, and they now are asking for more money in exchange for making those sacrifices. Junior employees with desirable skills are now much less willing to move geographically to take a new role; they will not upset their quality of life for their career. These dynamics have led some firms into bidding wars, whereas others are seeking to establish themselves as leaders in flexibility and purpose. Benchmarking to the competition is no longer just about salary.

Employee retention must also be top of mind for investment firms. Although attrition levels have been low since the pandemic began, industry leaders are concerned that turnover will increase in the near term. Perhaps surprisingly, a Gartner survey looking across industries found that on-site workers were the least engaged: 43% of remote workers and 49% of hybrid workers were highly engaged, compared with 35% of on-site workers.[18]

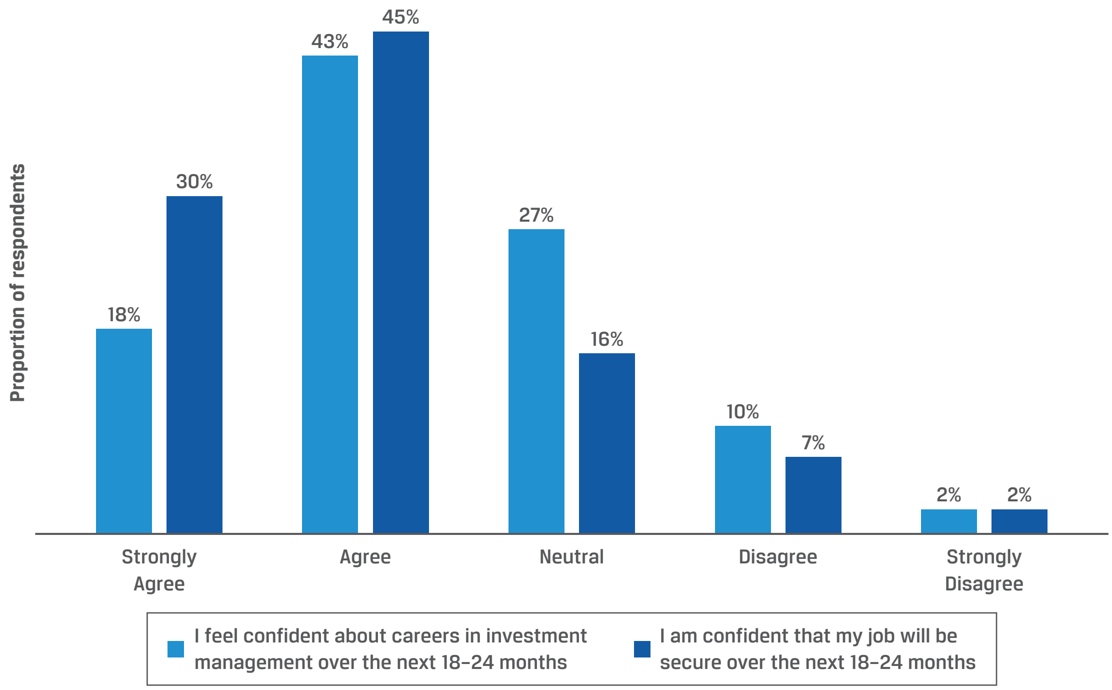
The good news is that 61% of investment professionals we surveyed are confident about careers in investment management in the next 18–24 months, as shown in **Exhibit 5**.

Furthermore, only 23% of survey respondents are considering leaving their current organization, as shown in **Exhibit 6**. That percentage is highest in the Asia-Pacific region, at 34%.

In high-performing cultures, there is a risk that time away from the office and colleagues could weaken loyalty, and some roundtable participants described feeling less connected to their employer. They say their careers have become more of an independent journey, and their mentality is more akin to that of an independent contractor. One participant said, "I don't care what firm's t-shirt I am wearing; it is just a microeconomic exercise of who I work for." Although the gig economy has not been a feature of the investment industry to date, the spirit of it is becoming evident.

Consistent with this observation, some industry leaders are moving more and more to a project management approach to work, in which working groups are formed based on competencies, not

EXHIBIT 5. CONFIDENCE IN INVESTMENT MANAGEMENT CAREERS

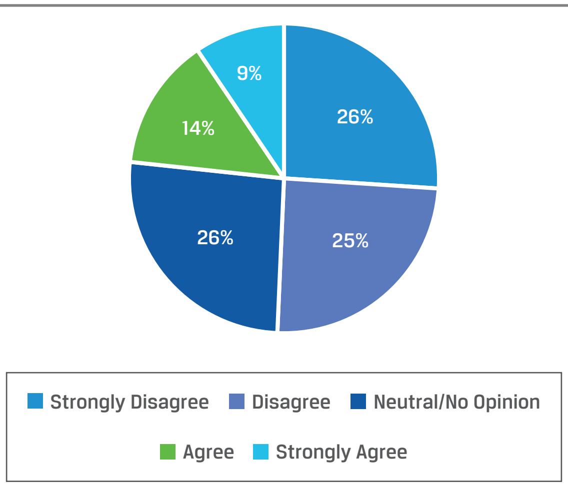


Note: N = 3,760 for confidence about careers in investment management, and *N* = 3,673 for confidence that my job will be secure.

Source: Investment Professionals Survey, March–April 2021.

specific people. This approach, common in the technology industry, creates a more agile group that is less hierarchical. One roundtable participant gave an example of special teams of employees with very different perspectives who would normally not

EXHIBIT 6. I EXPECT TO LEAVE MY CURRENT EMPLOYER IN THE NEXT 18 MONTHS



Note: N = 2,987 respondents.

Source: Supplemental CFA Institute Member Survey, April 2021.

work together, and they came together quickly. This type of cross-functional work has accelerated, and competencies become drivers of team development instead of people.

The loyalty issue and a recognition of skill transferability may explain why only 50% of industry professionals say they are committed to staying in the finance industry.

People analytics company Visier found that among financial services professionals in the United Kingdom, more than half plan to actively look for new jobs in the next 12 months and nearly a quarter have already started looking. Of those actively considering changing jobs, 62% are considering new sectors or new careers. Ironically, 72% also say they would recommend their company as a place to work.[19]

One roundtable participant described their organization's vision to become a truly flexible employer, highlighting its communications that emphasize finding "your balance." The company has received positive feedback on its policies from prospective candidates who see them as a benefit. Organizational leaders recognize the challenge of burnout and are providing more wellness benefits and resiliency training. In the Asia-Pacific region, a multinational firm described its effort to assist employees in minimizing excessive late-night calls and encouraged managers to serve as role models.

The high-potential next generation of investment professionals is in high demand, and these individuals recognize they have many options with respect to where to focus their talents. Leaders of investment organizations know this, and as one roundtable participant said, "You have to re-recruit your talent." On several occasions, his organization had recruited someone who accepted the position, but then that individual was re-recruited back to their existing employer. Another investment leader summed it up this way: "We need to make our organization un-leavable."

Employers recognize that flexible and remote working policies offer greater opportunities to attract talent to the industry, and they must develop inclusive practices to leverage diverse perspectives as work practices are reimagined. Furthermore, as more investment organizations seek to be leaders on environmental, social, and governance issues, investors are likely to note what workforce policy changes are made to support flexible work arrangements. These policies signal to investors that an organization is committed to managing its workforce well and considering employees as key stakeholders. Leaders must recognize the importance of culture as it relates to the organization's purpose.[20]

Recommendations for Investment Leaders

The where, what, and how of work are undergoing simultaneous transformations that create a defining leadership challenge and opportunity in the coming years. We offer three recommendations for leaders.

1. Be Proactive and Clear

In this time of change and uncertainty, leaders need to provide clarity. When moving to a hybrid model, leaders should be pragmatic and intentional about defining what hybrid means for the organization—when and why people are needed in the office. Managers should be actively involved in discussions with their teams to avoid conflating preferences with expectations. Simple rules can enable efficient flexibility. These rules can be regionally different and should be tailored to the needs of clients, the team, and the individual.

Some organizations are creating policies, whereas others prefer to have work philosophies or standard practices. In some cases, leaders view the office as the primary place for work but now recognize the need for greater flexibility. In other cases, the role of the office is no longer important. Hybrid work should be about enabling the moments that matter, the times to gather to work and to celebrate. Some organizations are setting maximum days for remote work, while others are setting minimum days for it. Some leaders are encouraging managers to schedule collaboration days when all members of the team are in the office.

Leaders can create "focal points" of high-engagement opportunities in the office, not just watercooler moments. Consider the structure of an employee's week—when are the critical times for teamwork, ideation, and cross-functional engagement? Rather than a hybrid "free-for-all," employers should develop hybrid schedules to emphasize focal points as a way to improve creativity and innovation across teams. This strategy enables organizations to retain the benefits of collaboration without compromising the flexibility and employee empowerment created by hybrid work.

2. Be Personal and Fair

Remote work has disrupted traditional leadership styles, so leading in a hybrid world will look different from the past. Managers will need to be more empathetic, and they will need to adjust to a level of informality that has entered the workplace. To attract and retain talented people, leaders need to create a work environment that connects them with other talented people and helps them excel. With so much in flux, there is a first-mover disadvantage to going back to the office.

The challenge is that employees have disparate ideas of what "flexibility" means, so having the right leaders can make a big difference. Leaders have different styles, and it can be challenging to find approaches that are personal and differentiated but are also fair and consistent across an organization. Many organizations are training and coaching teams to determine how they will manage hybrid work.

3. Be Patient and Agile

As one roundtable participant said, "'Never say never' is the lesson of COVID." Notwithstanding the foregoing recommendations, many of the most astute leaders recognize that the transition to a new way of working is about handling uncertainty well, and presupposing outcomes is unwise. There are three areas to develop: the mindset, skillset, and toolset for hybrid working. This development must take place across teams and leaders, and it will take time for a new norm to emerge.

Another roundtable participant observed:

> "In our industry we want to do things right the first time, but we have to experiment here—we have to have open dialogue and take personal, organizational, and client needs into account. When we actually do work in a hybrid model, we will likely need to adjust—we want certainty and control, but it is okay not to know how things are going to work."

Some organizations are being very transparent and recognize that managing the transition to hybrid work is not simply about the return to work but rather an opportunity to re-imagine the future of work.

CONCLUSION

Work is what you do, not where you go. Learning to work in a hybrid work environment will take time, but with attention and intention, investment professionals can excel in the new world of work, and leaders can differentiate their organizations and attract top talent.

Although much is yet to unfold with hybrid work arrangements, we know that both opportunities and challenges will arise. Workplace interactions will evolve and may take on a more personal, informal feel as employees evaluate differently their time spent together.

Through intentional leadership and a renewed focus on empathy, employers and employees can come together in a win–win situation, whereby employees can work more effectively and lead more fulfilling lives while improving firm performance. With such leadership and initiative, the legacy of the COVID-19 pandemic's disruption to work can become a stronger and more effective investment industry.

ENDNOTES

[1]Investment Professionals Survey, March-April 2021, Investment Organization Leaders Survey (aka Investment Organizations Survey), December 2020–March 2021, and Supplemental CFA Institute Member Survey, April 2021.

[2]Note that in the mainland of China, CFA Institute accepts CFA® charterholders only.

[3]*Investment Professional of the Future: Changing Roles, Skills, and Organizational Cultures* (Future of Finance, CFA Institute, May 2019). https://www.cfainstitute.org/-/media/documents/survey/investment-professional-of-the-future-v2.ashx.

[4]See "Work from Home an 'Aberration': Goldman's Solomon" (Mariana Lemann, *FundFire*, 25 February 2021) and "WFH Not Conducive to 'High-Performance Culture': BlackRock CEO" (Beagan Wilcox Volz, *Ignites*, 7 April 2021).

[5]Investment Professionals Survey, March-April 2021.

[6]See "What's Next for Remote Work: An Analysis of 2,000 Tasks, 800 Jobs, and Nine Countries" (McKinsey & Company, 23 November 2020). https://www.mckinsey.com/featured-insights/future-of-work/whats-next-for-remote-work-an-analysis-of-2000-tasks-800-jobs-and-nine-countries.

[7]See additional detail in the overview report: *Future of Work in Investment Management: Context, Content, Culture* (Future of Finance, CFA Institute, May 2021). https://www.cfainstitute.org/-/media/documents/survey/future-of-work-overview-11may21.ashx.

[8]See the overview report: *Future of Work in Investment Management: Context, Content, Culture* (Future of Finance, CFA Institute, May 2021). https://www.cfainstitute.org/-/media/documents/survey/future-of-work-overview-11may21.ashx.

[9]"What Employees Are Saying about the Future of Remote Work" (McKinsey & Company, 1 April 2021). https://www.mckinsey.com/business-functions/organization/our-insights/what-employees-are-saying-about-the-future-of-remote-work.

[10]"Corporate Governance and ESG Disclosure in the EU" (CFA Institute, January 2021). https://www.cfainstitute.org/advocacy/policy-positions/corporate-governance-and-ESG-disclosure-EU.

[11]"The Uneven Odds for Promotions with Hybrid Work" (Rachel Feintzeig, *Wall Street Journal*, 12 July 2021). https://www.wsj.com/articles/the-uneven-odds-for-promotions-with-hybrid-work-11626062462?mod=wsjhp_columnists_pos1.

[12]"4 Lessons about Unlimited Vacation" (Joanne Samer, SHRM, 6 January 2020). https://www.shrm.org/resourcesandtools/hr-topics/benefits/pages/4-lessons-about-unlimited-vacation.aspx.

[13]"The Next Great Disruption Is Hybrid Work—Are We Ready?" (*The 2021 Work Trend Index*, Microsoft, March 2021). www.microsoft.com/en-us/worklab/work-trend-index.

[14]*Investment Professional of the Future: Changing Roles, Skills, and Organizational Cultures* (Future of Finance, CFA Institute, May 2019). https://www.cfainstitute.org/-/media/documents/survey/investment-professional-of-the-future-v2.ashx.

[15]"Will Work from Home Work Forever?" (Freakonomics podcast, 2 June 2021). https://freakonomics.com/podcast/work-from-home/.

[16]"Virtual Watercoolers: A Field Experiment on Virtual Synchronous Interactions and Performance of Organizational Newcomers" (Iavor Bojinov, Prithwiraj Choudhury, and Jacqueline N. Lane, Harvard Business School Technology & Operations Mgt. Unit Working Paper No. 21-125, 1 June 2021). https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3855788.

[17]See the overview report for more details: *Future of Work in Investment Management: Context, Content, Culture* (Future of Finance, CFA Institute, May 2021). https://www.cfainstitute.org/-/media/documents/survey/future-of-work-overview-11may21.ashx.

[18]"The Uneven Odds for Promotions with Hybrid Work" (Rachel Feintzeig, *Wall Street Journal*, 12 July 2021). https://www.wsj.com/articles/the-uneven-odds-for-promotions-with-hybrid-work-11626062462?mod=wsjhp_columnists_pos1.

[19]"More Than Half of UK Financial Services Workers Plan to Change Jobs in the Next Year, Shows Visier Study" (press release, Visier, 23 June 2021). https://www.visier.com/press-release/more-than-half-of-uk-financial-services-workers-plan-to-change-jobs-in-the-next-year-shows-visier-study/.

[20]A future report in this series will focus on the importance of culture and how investment organizations are adapting.

ABOUT THE REPORT

Authors

Rebecca Fender, CFA

Ryan Munson

Rhodri Preece, CFA, Editor

Research Partners

Prof. Renée Adams, Oxford University

Prof. Almudena Sevilla, University College London

Contributors

Paul Andrews, Managing Director, Research, Advocacy, and Standards

Roger Urwin, FSIP

Sarah Maynard, ASIP, Global Head, External Inclusion & Diversity

ABOUT CFA INSTITUTE

CFA Institute is the global association of investment professionals that sets the standard for professional excellence and credentials. The organization is a champion of ethical behavior in investment markets and a respected source of knowledge in the global financial community. Our aim is to create an environment where investors' interests come first, markets function at their best, and economies grow. There are more than 175,000 CFA® charterholders worldwide in more than 160 markets. CFA Institute has nine offices worldwide, and there are 161 local societies.

For more information, visit www.cfainstitute.org or follow us on Linkedin and Twitter at @CFAInstitute.

CFA Institute

www.cfainstitute.org
info@cfainstitute.org