

## PERSPECTIVES

# How Are Institutional Firms Engaging Talent in Changing Times?

*As Rules for Optimizing Talent Evolve, Leaders of Institutional Firms Are Generating Creative Answers to Tough Questions.*

What will the future work environment look like for institutional firms? From our vantage point as an institutional solutions provider, we see many firms examining employee roles and organizational structures to determine how best to achieve the productivity and collaboration that leaders desire. Many firms long for a norm that reflects their storied cultures, yet they struggle to evolve their traditional hiring processes and apprenticeship models to succeed via virtual means. As part of our continuing dialogue with leaders of institutional client firms, we conducted in-depth conversations about their human capital strategies and challenges right now. Here are some of their insights.

## #1 WHAT DOES THE FUTURE OF WORK LOOK LIKE FOR CAPITAL MARKETS FIRMS?

Clients tell us that they're emerging from the pandemic with a very different view of how and where work can be performed. Many had already shifted core capabilities to offices outside of major cities after 9/11, seeking cost and talent advantages through decentralization. But the accelerated adoption of remote work modes has brought forth opportunities that are still unfolding. Leaders are striving to optimize employee flexibility for retention and recruiting while ensuring that critical business goals are advanced. Here is what leaders tell us:

**"At this point, we are embracing remote work and figuring out what to do with 30,000 square feet downtown."**

- Anonymous Capital Markets Firm

## *There's No Place Like Home*

**One firm conducted an employee poll regarding workplace preference and found only 5% wanted a return to the previous, standard office environment.**

- Some firms are taking advantage of their geographic footprints to let employees work from offices other than the ones to which they were originally assigned. This type of "flexible primary workplace" requires decentralization of certain functions but may create opportunities to retain existing employees and attract new talent.
- To meet current FINRA requirements for branch inspections, some firm's traders and compliance directors are returning to the office, while home-based staff are using a Key Attestation process.
- Efforts to support, train and communicate with remote employees has represented a great leap forward for business continuity and productivity. Digital collaboration tools have increased productivity and enhanced communication, and lowered travel and entertainment expenses, as well.

Looking across the firms, we see four working models emerging:

- **Fully In-Office** – In-office presence is a major emphasis for some firms. One is considering instituting a full-time in-office policy. A leader noted that there is significant client interest in meeting with the firm’s employees in person. This interest is corroborated by increased demand from the firm’s print shop for materials to support such meetings.
- **In Office but Less Centralized** – Firms with multiple locations regionally or nationally are capitalizing on this capability by decentralizing certain in-office functions that formerly were performed in only one location. This creates some flexibility for employees while providing greater resources, security and interactions with colleagues.
- **Hybrid of Office and Remote Work** – Some leaders found employees were more productive working from home. Accordingly, while they are encouraging people to spend time in the office, they are proactively developing hybrid work schedules. One firm is allowing its multiple offices to adjust their office-vs-home balance based on local conditions (In some cities, 100% of employees are back in the office; in others, it is closer to 50%). In some cases, team managers determine which employees need to perform work in the office (based on roles and the nature of the work). Employees may be deemed “mobile” (up to three days a week) or “assigned” (using dedicated office workspace full time). The latter category is typically for those who must be in the office to perform their jobs or whose homes do not readily accommodate work (e.g., no space or children at home.)
- **Fully Remote** – Some firms have adopted remote working arrangements across the board. Team members use Bloomberg messaging to collaborate and know who is working on which issues at any given time.

One leader predicts that work norms will change, such as shifting schedules to meet a parent’s need to match children’s school obligations. Team members understand that they still must be there when really needed, such as on the big settlement days. There will always be a give and take.

**“I was a non-believer in work from home. It turned out to be the greatest success story ever. People are more productive and there was more teamwork during one of the busiest years ever. It was a remarkable year from all sides.”**

- Anonymous Capital Markets Firm

## *To Think About...*

Flexibility is the watchword for firms going forward. It’s a tricky balancing act to support firm growth while helping employees maintain a more sustainable work-life balance. But the right decisions will support recruiting and retention success, fortify the firm’s culture and shape firms’ ability to compete for talent over the long term. Some examples of flexibility: Reducing the impact of long metropolitan commutes by expanding access to other, nearby offices; giving local managers flexibility to strike an office-vs-home balance based on the team’s specific needs; decentralizing finance and operations teams, which may be housed in lower cost areas of the country while also giving employees more options for where they work.

**“Many of our programmers are in their twenties. In the early days of the pandemic, I think some of them viewed working at home as a type of vacation. So, we began engaging them with ideas and assignments to solve issues, inspiring them to develop solutions. It helped to energize them.”**

- Anonymous Capital Markets Firm

## **#2 HOW WILL WE KEEP OUR TRADERS ALIGNED AND ENERGIZED IN A DISPERSED WORKING MODEL?**

Trading professionals are a unique breed, both in their intensity and how they interact with their teams. With trading activities becoming less concentrated in one location, firms are discovering both advantages and major risks. Leaders had these observations about the new trading dynamic.

- The switch to remote work has been a major plus. Some traders moved to different locations and have been more productive than ever before – in fact, doubling the business of the previous year.

- The remote-work ethic did not always align with the demands of trading. One leader recounted how a trader was unreachable for two hours during a busy business day. The reason: walking a pet without bringing along a cell phone.
- The buzz of the trading room may be muted by distance, but one leader has been known to maintain an open Zoom line among the trading sites so team members can “feed off the noise” and engage in informal discussions.

“Traders are missing the background noise –there’s bonding that comes from being physically near someone, overhearing them arguing with their spouses. Those insights into their lives help to deepen relationships.”

- Anonymous Capital Markets Firm

matter expert – working from home, with no managerial responsibilities.

- A leader recounted hiring and onboarding new professionals without ever having met them face to face. However, the firm is encouraging hiring managers and new hires to rendezvous at the office to complete onboarding requirements and to meet others on the team.
- With remote work, new hires can miss out on experiencing the team culture from the start, so firms are striving to find a solution that lets someone acclimate and learn from others while working from home.

“We’ve had to redefine or reimagine things that were once taboo—allow for a middle ground.”

- Anonymous Capital Markets Firm

## To Think About...

There is an optimal method for capturing the energy of the trading room while preserving the productivity, quality of life and flexibility of remote work. Firms are actively refining that method.

Relatedly, many institutional firms rely on a time-tested apprentice model for building the skills of new investment banking professionals. The model, which relies on juniors learning from seniors through constant interaction, has been tested profoundly by the remote-work environment. Leaders shared these points about these twin challenges:

- One firm recognized that junior professionals had not absorbed as much knowledge as desired over the past year and has determined that it will be key to have them spend time in the office going forward. However, the firm is giving younger talent the flexibility to work part of the day in the office, but complete work at home at night. In other words: still long hours, but not all at a desk at the office.
- Another firm noted that it was harder to find junior-level professionals during the pandemic. Leaders are concerned that tutoring and mentoring such talent remotely is insufficient. Not only is the primary mentor relationship harder to perform, but other likely mentors – also remote – are equally as inaccessible to the young protégé.

## #3 HOW MUST WE EVOLVE OUR RECRUITING? CAN WE SUSTAIN AN EFFECTIVE APPRENTICESHIP PROGRAM WITHOUT DAILY FACE-TO-FACE INTERACTION?

The remote work environment is challenging traditional models for sourcing and onboarding new employees. Digital communication tools can fall short when engaging prospective talent – where first impressions are crucial, for both parties. Leaders shared these views:

- Firms are seeing work from home as opening new avenues for recruiting. Hiring talent in a remote capacity is allowing them to place people “on the ground” in more cities, without leasing office space. One recent creative solution: Hiring a retired senior manager to fill in a critical gap as a subject

“We had ten interns this year, working remotely. Our firm did our best to keep them engaged and interested. We assured them that there is a path for them here. But, they still did not really get the full experience.”

- Anonymous Capital Markets Firm

## *To Think About...*

In-office apprenticeships may still be dominant in the future, but they may be supplemented with technology-driven approaches that allow firms to cultivate talent pools that are more diverse. More generally, we know that future of the workplace will be hybrid – in office and at home. How can firms reflect the duality from the very beginning of their talent quest? How can they frame positions and attract talent to deliver extraordinary value in the future?

“Working from home could hurt younger folks. It’s out of sight, out of mind. So much of our business is knowing people and networking. How will they learn to navigate the firm?”

- Anonymous Capital Markets Firm

## **#4 WHAT CAN WE DO TO PRESERVE OUR CULTURE AMIDST SUCH COMPLEX, WIDE-RANGING CHANGES?**

Firms all are justifiably proud of their workplace cultures, which often have been cultivated over many generations. The challenge for many is to identify how to adjust a diverse range of business practices while maintaining the core culture and sense of community. Here are a few insights leaders have shared:

- At one firm, there is concern that strong relationships – central to the culture – are more difficult to build without spending time with teammates to get to know and appreciate them. One approach being tried: Creating opportunities to further socialize through lunch or after work get-togethers.

- Community involvement has been key to reinforcing the uniqueness of another firm’s culture. In one instance, a veteran-owned firm hosted a couples retreat for active Special Forces and their spouses, combining fun activities with meaningful dialogue. Another firm developed a tool to help businesses apply for government relief loans, then engaged a 2500-person team to contact small business owners – resulting in 40,000 loan applications.
- Certain firms focused efforts on advancing diversity and inclusion. One firm successfully launched resource groups, and launched initiatives devoted to enhancing understanding of African American, Hispanic and LGBT topics.

“Be flexible and have a fluid plan—the model is ever-changing.”

- Anonymous Capital Markets Firm

## *To Think About...*

Business culture evolves continuously, and lately that evolution has been accelerating. What steps can firms take to retain the elements of their culture that are distinctive and irreplaceable, while also presenting an attractive “welcome mat” for a new and diverse generation of professionals?

## *A Final Word*

BNY Mellon | Pershing and its clients have worked through many huge transitions in past decades, but few can match the size and scope of the human capital transformation underway. So much has changed in just a year's time, yet we must acknowledge that we are at the beginning of a long journey of discovery and flexibility must remain our watchword in the coming years. We look forward to working with our institutional clients to share ideas and experiments, give them insights to calibrate their performance against their peers and to proactively evolve our services to help them drive success in this highly dynamic industry.

**“Talk to your teams - make sure they know they have a seat at the table, that their voices are being heard.”**

**- Anonymous Capital Markets Firm**

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