

Diversified Management Resources in the News

Selected Press Reports on Our Opinions

Back to the Future

Compliance professionals again take center stage

Money Management Executive November 8, 2004 **Column by Charlie O'Neill**

Much as we'd like to move along to something else, we're forced by current events to end the year with yet another discussion of compliance jobs. One year ago, we thanked Mr. Spitzer for moving the noble profession of compliance professional out of the wings and directly onto center stage. Here we go again.

What the mutual fund scandals started, the new compliance program requirements, effective October 5, finished. Not much more than a year ago, compliance professionals could have expected to earn respectable compensation. Now those with the right skills and experience can more or less write their own tickets.

With the kind support of NICSA, PA Compliance, PFPC and SalesLink, D.M.R. recently conducted a survey of industry compliance trends and practices. One interesting finding had to do with CCOs' previous experience and compensation prospects.

More specifically:

- We learned that most incumbent CCOs were appointed to the role from within their firms. This was not particularly surprising, given the immense amount of effort money managers were required to expend in preparing for the October 5 requirements, and the time involved in recruiting qualified people from outside. Also, to perform the compliance management function, you need to have an intimate knowledge of the way things work, and the learning curve for outsiders can be pretty steep.
- Most current CCOs, we found, moved into the role from their employer's Operations area. Interesting, though logical, too. Operations professionals are nothing if not focused on the details, and they're exposed on a daily basis to the trade processing, accounting and other basic infrastructure functions that support all aspects of a money management firm. Attend an ICI Operations Conference or a NICSA meeting and you'll see quickly enough that these are people who know how to get the job done. By nature, they pay attention to the details. Unlike many other functions – sales and marketing, for example—operations experts have a pretty clear sense of the quality of their work: it is either right or wrong. Processes perform as expected or they don't. All of this is good training for the CCO role.
- Unsurprisingly, when firms recruit CCOs from elsewhere, they will target people who have previous compliance or regulatory experience; some operations exposure is desirable, but not as important as a directly comparable work history.
- Compensation is strong. We asked industry professionals how much they expect to pay a Chief Compliance Officer. Nearly one third of our survey participants say they expect to pay cash compensation of \$300,000 or more.
- Recruiting CCOs will be quite a challenge. Larger firms are most concerned about the fact that qualified people have many competing job opportunities; smaller firms are concerned about cost.

CCOs will surely have their hands full, too. Which area of the business will continue to require close attention and supervision? Sales, closely followed by Marketing. Both were ranked as least

likely to proactively support compliance requirements. Operations and Portfolio Management were ranked in first and second place, respectively.

How will the new-found prominence of compliance departments affect the mutual fund business? Substantially, we'd say.

Watch for new value added marketing programs more focused on customer needs than product performance. Watch for more educational efforts. Watch for even more emphasis on web sites as platforms to deliver information that can be updated more quickly than traditional print. Watch for simplification of the alphabet soup of fund share classes, and in-depth, customer-centric due diligence as new products are developed. Watch for continued product and service innovation, but with a more conservative twist.

Fund Executives Likely to Rebound After the Fall

By-lined column in Money Management Executive, Charlie O'Neill, 5/10/04

Have you wondered what will become of the rascallions who are guilty of ripping off mutual fund investors?

The answer is to be found in the jumpsuit locker. If there is an orange jumpsuit in their future, as in going to jail, their prospects are bleak, indeed. Despite the popular impression that white-collar criminals enjoy a life of ease, that's not quite the way the world of criminal justice works. But you already knew that. Maybe once they've done their several months behind bars, the more resilient members of the gang can write books that will no doubt say their failure was Mommy's fault, their fifth-grade teacher's fault or just the result of an uncontrollable addiction to cash.

For better or worse, most market-timing schemers have faced civil, not criminal charges. However, if you are a fund shareholder you lost money either way.

Assuming that these and other fraudsters yet to be named won't have to exchange their wardrobe of pinstripe suits for a closet of tailored, zippered suits, what will become of them?

The first penalty is almost certain. They'll lose their securities licenses and they will be banished from the business for three years to life. But this is small change for many of these people. And, in any event, they will surely bounce back. Here's why:

1. Most of these executives already are very wealthy. They sleep very comfortably, since it's been a long while for most of these executives when several million dollars seemed like a lot of money. Unless they've had the rare misfortune to have been named personally in a class-action suit that finds its way to trial, it's unlikely that these people will lose it all. Lawyers are expensive, but at the net-worth level we're talking about here, they will have many dollars left.

2. They made some bad calls, but they know the business and are smart. Too smart for their shareholders' good, perhaps. Nonetheless, these are people whose average intelligence is off the top of the charts. They were either chief executives or close. Rising to that level of prominence takes many years of effort, lots of verified business success and an abundance of intellectual horsepower.

3. They are consummate salespeople. Even junk bond king Michael Milken did his time and shamelessly emerged into a successful, new career.
4. Make no mistake about it. Some of these characters aren't very nice people, but they'll still have friends and hangers-on who will believe they did nothing wrong.
5. Someday, they'll be able to rationalize their misbehavior as little more than a violation of books and records, not stealing money. They'll say with a straight face that they didn't really do it. They'll start believing that they were sacrificed on the altar of Eliot Spitzer's political ambition. So much blather, perhaps, but someday all of this will feel like the truth.
6. At some point, when they've finished grieving about getting caught, some will unearth the Rolodex, pick up the phone and re-emerge as business consultants. Admittedly, money managers who hire them as such will keep them well hidden away, off to the side, where they can't do any damage and where the trustees won't run into them. But their advice, offered over occasional lunches at Boston's No. 9 Park Street or other four-star watering troughs, will be useful to other executives who are determined to grow their business.
7. With their wealth, intelligence, drive, contacts and renewed sense of self-worth, they can buy a Laundromat or a corner news store. A bodega, perhaps, where they'll sell The Wall Street Journal to customers who will listen with rapt attention to tall stories about their days at the helm of a runaway ship of sales. In fact, many already own enterprises beyond Spitzer's grasp. It's a better than even bet that several of the alleged schemers already own businesses together. Bars, pool halls, restaurants, you name it.
8. They can bare their souls on the speaking circuit: "I had it all, but was that enough for me? Nope."
9. They can post their resumes on Monster.com and apply for jobs as fraud-detection experts, right alongside computer hackers who have managed to escape the dark side.

In sum, if you are guilty as charged, you will probably work again. Whether this is just or likely remains to be seen. In this business, as in any other, falling from grace is humiliating, inconvenient and expensive, but not often fatal. The very skills and talents that brought those named in the fund scandals to the top may yet prove the source of their redemption.

Charlie O'Neill is president of Diversified Management Resources, an executive search and business development consulting firm in Boston.

“Show me the Money”

Charlie O'Neill's Career column in Money Management Executive (03/01/04)

First, the good news: Today's job seekers are pretty clear about why they would choose one job over another.

In the most recent poll published on my web site, www.dmrcareers.com, job seekers had no trouble deciding what matters most: Hands down, they say they are seeking “career

advancement”, (34%) or they want to “earn as much money as possible” (26%). That leaves 40% looking for something else—like “intellectual challenge.” (18%).

A “fair, ethical employer?” These days, people think about this, too, right?

Or “working for a company that treats its people with respect.” Another compelling factor?

“Having a life outside of work.” That’s something the career gurus say people hold as most important, too.

Wrong, wrong and wrong. Each of these factors was described as most important by a whopping 5%.

This contradicts virtually all of the large scale job satisfaction surveys conducted in the past.

While there could be any number of reasons why our job seekers are motivated differently, the most likely reason is probably self-evident. Most employee surveys are just that, conducted among people who are already working. They are already being paid, so their basic needs are covered. Now, with a way to pay the mortgage, and with a health insurance company ready to pay for their video game addicted, squinting kids’ new, tinted contact lenses, they are seeking affection, companionship, emotional satisfaction and respect.

But if you are not working, and especially if you are among the growing ranks of people who have all but given up looking for gainful employment, just earning enough money to get by is compensation enough. A good work place? Any work place would be fine, thank you. A life outside of work? I’m all too familiar with life without work. An ethical employer? We can exchange war stories when I can afford to meet you at Starbucks.

As important as it is to work, job seekers are making a mistake if they fail to put some real thought into the environment they are about to walk into. Here’s why: Because with any luck at all, they will not be unemployed again any time soon, but they will be working for their next employer for years. That could be tens of thousands of hours working with people you don’t like, who don’t care about you and who truly demand that you share their obsession with this month’s revenue forecast at the expense of all else.

That’s a lot of time beneath the grinding wheel. Especially when it seems unlikely that the heady days of the last decade, when job seekers held all the cards, will return any time soon. This means you may have a lot less opportunity to change employers of your own free will. Ask wholesalers who have been consolidated out of work or IT people who have watched their jobs migrate to India. They’re looking straight over the cliff at a truly vexing career future. But once they find a new job opportunity, they will undoubtedly again value stability and common courtesy (and dare we say respect?) as somewhere near the top of their list of needs.

Or ask the people who work at firms that are now ensnarled in open-ended SEC and state regulatory exams how much they wish they could turn the pages of a calendar back a few years and ask the right questions about their employer’s code of ethics. Or for that matter, to ask any questions at all about their employer’s business practices.

So yes, be concerned about how much you are paid. Consider whether a job will propel you up a rung or three on your career ladder. But tread carefully. Make sure the ladder is real and that you truly understand where it will take you.

“Thank you, Mr. Spitzer.”

In his column in **Money Management Executive**, (12/22/03) reviewing current ‘winners and losers’ in the job market, O’Neill credited the NY Attorney General with improving compliance experts’ job prospects. Noting that companies are increasingly risk-averse, he anticipates that other factors—including fund trustees’ move to set up compliance functions reporting to them—will make compliance a strong growth area for some time to come.

Moving Lawyers Front and Center

Charlie O’Neill, December 22, 2003

If we were to stage a "Best of" show about the year's impact on job prospects, Eliot Spitzer would be a good choice to serve as our affable host. And you, as a compliance professional, would no doubt have a chance to walk up to the stage, collect your trophy, and give the New York Attorney General your personal thanks for improving your job prospects tenfold.

Your job has now moved from the relative obscurity of a support function into the spotlight. You can be sure that any CEO will be interested in your opinions about any aspect of the company's business. Companies cannot afford the financial risk of a compliance failure, but most importantly, they cannot afford the risk to the company's reputation or its relationship with the fund trustees

A review of Internet job boards shows no less than 50 open compliance positions available to you. There's reason to think money managers will be staffing up their compliance departments for some time to come for the following reasons.

Trustees will have compliance professionals reporting to them. This does not mean management companies will cut back on their own compliance teams. Far from it. They will need their own compliance departments as a form of insurance, to serve a liaison role with the trustees' staff and to handle such functions as sales literature review and annual compliance certification -- not functions likely to be moved under the trustees' purview.

Compliance professionals are expensive as compared to people in key operations, sales and marketing functions. It is still possible today to hire three compliance experts for the price of one experienced wholesaler.

Many companies have retained law firms to conduct independent investigations. Eventually, they will bring this investigative capacity in-house.

Companies will create ombudsman positions, to ensure that any potential whistleblowers have a place to air their complaints before they turn to the SEC or the likes of Mr. Spitzer. Who is better equipped for the ombudsman role than a lawyer or a meticulously fussy compliance expert?

Other Winners

Compliance is not the only category with strong career prospects. Other jobs that will assume a higher profile include retirement plan, Section 529 college savings, separately managed account, hedge fund and product development experts.

The retirement plan area is in the middle stage of a strong growth surge and will continue to be such as Baby Boomers reach their retirement years. Saving for college is a perennial concern, and, again, demographic trends ensure that it will remain a growth area. Both will benefit if new legislation creates universal, tax-deferred savings accounts.

Separately managed accounts are gaining prominence, albeit slowly in relative terms. Despite the whispers about the pending demise of the \$7 trillion mutual fund business, SMAs have a long way to grow if they are to capture a greater percentage of investors' wealth. But any money manager needs to count an SMA program among its product offerings. The same case applies to hedge funds, which will gain prominence as barriers to entry (i.e. investor net worth requirements) are lowered and as investors seek higher returns than traditional investments can provide.

And while product development experts have often been the poor stepchildren of the sales department, that is about to change. Product innovation has often been driven by a follow-the-leader strategy. Money managers will now likely take a more proactive approach to developing products that will offer good value and the potential for better returns to shareholders.

On the Losing End

Fund wholesalers and, for that matter, any sales and marketing people who have only been in the right place at the right time, are not likely to fare well in the current business environment. Operations managers may find themselves under pressure as companies move to outsource processing and IT functions. Even call centers will be vulnerable to displacement as companies examine the relative costs of supporting an operation in the continental U.S. versus overseas.

For that matter, also add to the list of losing job seekers anyone who cannot survive in a meritocracy. Companies know they can afford to be highly selective.

As a final note: In the new business environment, if you are not among the best and the brightest at whatever it is you do, it may be time to consider an alternative career. Maybe, if you are lucky, you can find a job with Mr. Spitzer's gubernatorial campaign team - not that there's anything wrong with that.

Charlie O'Neill runs **Diversified Management Resources**, an executive search and marketing consulting firm. He was once a managing director with Putnam, head of marketing for Colonial/Liberty.

Moving down the ladder? ([Money Management Executive](#) 5/05/03) O'Neill's [Career Clinic](#) column explored the special challenges faced by out of work executives who must consider jobs at lower management levels in order to return to the mutual fund industry.

Are You Too Experienced?

By Charles A. O'Neill, May 5, 2003

I'm walking in Post Office Square, in the beating heart of Boston's financial district. I see my luncheon guest. He's huddled against the door of the coffee shop.

We'll call him Ernest, and he is, indeed, earnest about finding a job. But everywhere he goes, hiring managers spend a few minutes with him, scan his resume and say, "Your experience is great. It really is. But the job we are working to fill is a bit junior for you. It's been great meeting you. We will give you a call next week." Needless to say, in Ernest's world, the phone does not ring next week. Or the week after.

Ernest has enough solid experience to be interviewing for a fairly senior job, one that back in the heady '90s would have paid a base exceeding \$100,000 plus the usual bonuses. But after a decade of loyal service, he became part of his employer's "rightsizing" effort, only to find himself now too experienced for many of the job opportunities he's hearing about.

Ernest asked me, "Should I take a job two levels lower than the one I had? Will accepting a lower-level position now be seen as a step back, and impede my future career progression?"

As we order the luncheon special (this not being the frothy '90s), I reflect on Ernest's background. No flaws that I can see. But there is something about Ernest. He is 50 years old. When he cut his teeth on his first job, the hiring manager he saw last week was just finishing high school. If she hires Ernest, she could be hiring her own replacement. End of discussion.

So, I tell Ernest, if a more senior job isn't available, if you've done the mandatory soul-searching and you really don't mind stepping back a bit - take advantage of one of the few jobs that are open. Given some time to assimilate into the new organization and then showing them what you've got, you will likely find that you're building enough experience and expertise in your new career path to gain recognition and earn you a future promotion. Ernest will probably have to prove, all over again, that he is a team player. Only this time, it's on someone else's team. But given some time to shine, he will surely become the team's leading VIP, and eventually the top coach.

How to convince the hiring manager your ego can handle a step down? If the hiring manager's eyes are beginning to glaze over, and she's rising from her chair, don't hesitate to assure her you are more than eager to make a solid, measurable contribution to her organization. Explain that you are anxious to bring wisdom, integrity and experience to her staff, no matter what your functional title would be.

Be sure to point out your willingness to accept a job title that is a notch or two down from the one you held, noting that your feeling of accomplishment or achievement of the company's goals is more important to you than what's printed on your business card. Ernest, who has held jobs at a variety of levels, listened carefully and agreed that at this point in his career, he doesn't need to be the leader of the free world. If given a chance, he knows that he can help the company succeed.

A Breather

If you feel confident that your ego won't be too battered, and resentment definitely will not be an issue, then stepping down a rung or two on your personal career ladder isn't necessarily a bad move or even a career killer.

It doesn't mean you have failed. Just the opposite is true. You've succeeded in landing a new job. You have been hired by a fresh company that recognizes your value and potential - and you'll be working for a manager who sees experience as an asset, not a threat.

Accepting the new job means you are flexible enough to chart a new career path, and confident about your abilities.

Furthermore, stepping back a bit will allow Ernest to see the bigger picture, and decide for himself if he still wishes to pursue his original path or pursue new opportunities. A job without the pressures he's used to would be a breather, Ernest says.

But to give yourself a chance at a different level, you need to tone down your resume. Both to shorten your career timeline and to show a prospective employer that you are in touch with today's problems, I would suggest focusing your resume on your recent experiences. Also, downplay any managerial piece of your history, deleting, for example, anything that sounds like, "Hired and motivated a staff of 26 young whippets and taught them everything I know, and that's a lot."

Charles A. O'Neill is a principal with MutualFundCareers.com, a Web site devoted to jobs in the mutual fund industry. He is also a principal with Diversified Management Resources, a marketing, consulting and executive recruitment firm in Boston. He can be reached at: coneill@mutualfundcareers.com

Copyright 2003 Thomson Media Inc. All Rights Reserved.
