

# RECRUITING, RETAINING AND REDESIGNING: CREATING A WORKFORCE FIT FOR PURPOSE



A company is ultimately the sum of its parts. It is therefore no surprise that central to the successful operation of investment management platforms are the employees who work for them. However, in these times of increasing demand for talent where the investment management industry must compete for talent with big tech and whole host of other sectors, talent shortages in some areas are becoming acute. This has been accentuated by the change in approach to work as well as the overall investment strategy of real estate managers in light of the global pandemic, the climate crisis, and the recognition that a pale, stale, male workforce looks out of place in the 21st century.

We invited a select group of CFOs and COOs to the latest in our series of roundtables to discuss how real estate investment managers are tackling the topic of talent. We discussed gaps and weaknesses in the existing bench of talent, pressure on compensation levels, improving diversity and inclusion efforts as well as how industry leaders approach the question of returning to the office.

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## 'IT'S A TIGHT MARKET'

As an executive search and advisory firm, we frequently hear from contacts in the market that certain roles are proving significantly harder to fill. From ESG professionals to technologists to capital raisers and logistics developers, the talent pool in hot or quickly growing sectors is thin, with employers having to consider alternative profiles when it comes to recruiting for their teams.

During our roundtable, one panellist singled out finance and investor relations as being particularly tricky areas to recruit, especially in countries where individuals are required to be fluent in a second language. Whilst finding an investor relations professional who is fluent in both Mandarin and English has been tough, it has not been impossible if the profile and pay scales are adjusted. Another panellist spoke about how the hiring market has been increasingly tough at junior and mid-levels, particularly for those with multidisciplinary skillsets, such as asset managers who are both data proficient and understand the nuts and bolts of property. Increasingly, shortlists are consisting of 2 or 3 candidates in these areas, rather than 5 or 6 as was previously the case. This problem is not unique to one region but mirrored in Europe, North America and Asia-Pacific.

In situations where real estate investment managers don't make a hire, they are having to reorganise their teams around this gap and ensure that the existing team is looked after. One panellist spoke about how competitor organisations are often dipping into more junior levels and hiring step-up candidates with potential. Within finance, this has meant that highly talented employees with perhaps only 10 years of experience are moving Head of Finance, Chief Accounting Officer or even Chief Financial Officer roles. These are often at smaller outfits, meaning global real estate investment managers are having to improve growth opportunities internally as well as increase compensation for professionals in high demand sectors.

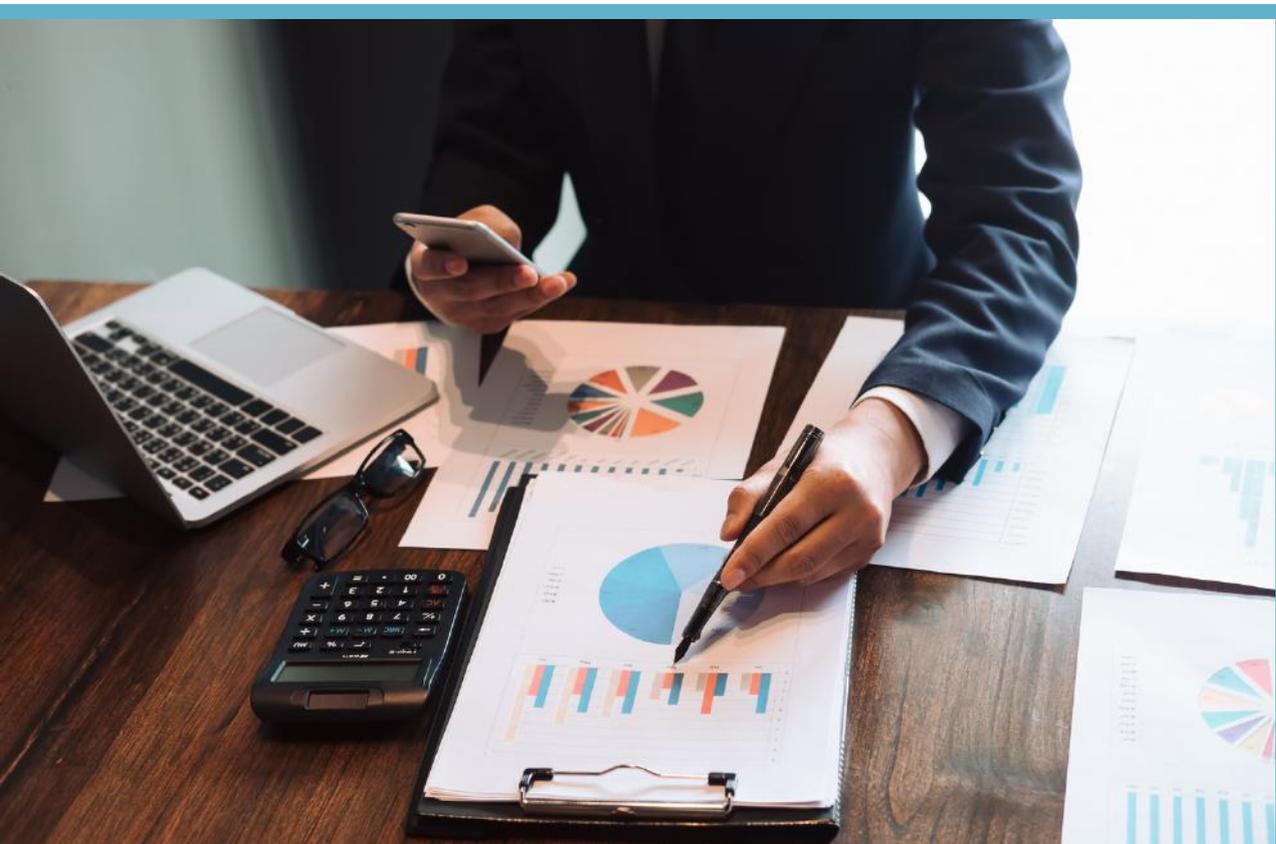
When discussing the sectors where there is a particular shortage, investor relations, technology as well as logistics and life sciences investment professionals were frequently mentioned. However, ESG leaders are showing a higher growth in demand than any of these. Many real estate investment managers are stepping up their game when it comes to improving the sustainability of their investments and their organisation in general. However, given the nascent nature of the field, finding highly capable ESG leaders who can craft and implement a strategy as well as being proficient managers is proving a real challenge. This has occasionally been overcome by hiring more junior candidates or by reassigning roles within the organisation so that someone internally takes on the 'Head of ESG' function.

## REWARD TO RETAIN

With the consensus that there is high demand across the industry and that the talent pool in many sectors is becoming increasingly thin the result is an increase in compensation, particularly for mid-level employees. In the main, combined base salaries and bonuses have increased by around 15-20% this year.

However, one panellist noted that, 'for some senior roles and teams within real estate, increases of 30 to 40% were not unusual'. There has been particular pressure on compensation for technology roles and ESG positions. We have also seen strong demand for talent in the industrial and logistics spaces, life sciences as well as, in Europe, real estate professionals in investor relations and acquisitions with German language skills. Whilst not all individuals will receive such a raise, such is the demand for talent that investment managers are having to bring in real upside for some of their 'unicorns', namely top performers who would be extremely difficult to replace.

So, what does all of this mean for the future? One panellist noted that unless January's sell-off in technology stocks continues and puts people on the street, supply/demand is not in the real estate industry's favour given investment managers in general are having to compete for talent at junior levels and attract them away from big tech. At present, it seems like we are in an employee's market where employers are having to accept a higher fixed cost. Compensation growth in real estate private equity is likely to remain above the already historically high rate of inflation for some time to come.



## TOWARDS A WORKFORCE FIT FOR THE FUTURE

In addition to ensuring their employees are well rewarded and looked after, our CFOs and COOs are also having to tackle the pertinent issue of diversity and inclusion, making sure that their workforce is more reflective of wider society. This does not merely mean hiring and promoting more women within our industry, but also increasing the focus on employing individuals from a BAME background, enhancing LGBTQ+ presence in the workplace, hiring from non-traditional backgrounds and, underpinning these objectives, thinking more creatively about how recruitment processes should work.

Our panel were in broad agreement that in certain areas, it has been tough to improve diversity and inclusion, particularly in roles where it already hardest to recruit such as technology and leadership functions, as well as on the investment side. However, the anecdotal evidence suggests that there has been a marked improvement on recruiting and nurturing women within the real estate industry. One CFO from a top tier private equity fund said that they had seen a substantial increase in the presence of women in their workforce, all the while noting that more still needs to be done in certain parts of their organisation. For this particular business, they have noted ethnic diversity as an area of increasingly focus over the medium term.

So how does the real estate industry hire and nurture a more diverse workforce? One panellist spoke about how they have inserted a 'bias controller' into their recruitment and promotion processes, whose role it is to question the justification behind hiring or promoting a particular individual. Another firm have sought to demonstrate a more inclusive environment by asking their diverse workforce to be involved in the the initial screening of candidates. All of our panel are encouraging their graduate recruiters to look outside of the traditional talent pool of the Ivy League and Oxbridge. One investment manager has also undertaken a review of how much bias there is when it comes to decisions around recruitment, promotions and pay. In order to rebalance their workforce, they have set themselves a target that 75% of their hires over the next couple of years need to be women.

Our participants were united in the view that diversity will continue to be a priority when hiring from campus, taking people out of the Big 4 for their finance functions as well as at more senior levels. Given that investment managers are each increasingly focusing on making their talent more diverse, this has created another problem: real estate players are having to move quickly to secure these individuals. One panellist told of how, during a recent recruitment process, the slate of shortlisted candidates had included two women, two men from BAME backgrounds and two white men. Given the pace of the hiring market, they eventually lost both women to competitors. Speed is therefore critical when it comes to hiring diverse talent.



## RETURN TO THE OFFICE

There can be no doubt that the pandemic has reinvented the real estate industry's approach to how we work. Flexible working policies are no longer the USPs that they once were and some employees are wanting to work from home on a semi-permanent basis, at least for the time being. This has led to talent occasionally moving from companies that are more stringent in their approach towards having employees back in the office to those that allow for a more flexible set-up. Simultaneously however, employers are increasingly expressing a desire to see their employees return to the office to promote team cohesion and the training of new staff. This has created a conundrum for employers given the competing desires to see their employees return to the office, whilst also supporting flexible working.

For the time being and in light of the Omicron variant, the message from most of our panellists is that 'the office is your primary place of work', though for most functions, there remains the option to work from home. Employers are trying to make sure that the office is an experience worth coming in for. This does not simply mean adding table tennis tables but also transforming the office into a place to be productive, creative and enjoy time with colleagues, such that it creates a 'fear of missing out' by not coming in. One participant spoke about how they have transformed two floors of their head office into a space with hotdesking, more collaboration spaces and technology with the ability to sit next to different colleagues each day. Whilst this is still in its early days, responses thus far have been positive. Other panellists spoke about how, after a long pandemic, 'positive peer pressure' has taken over, with the after-work drinks at the end of the day being tough to replicate if individuals are working from home.

Whilst there has been an emphasis on making the office a place to share knowledge, be productive and connect with colleagues, most investment managers are still adopting a flexible approach. One panellist spoke about the challenge of getting technologists back into the office, with the result being that they are allowed to work from home as often as they like. Others have stated recommendations, such as encouraging finance and technology teams to work from the office for three days a week, whilst stopping short of making this company policy. In other businesses, IT and HR functions are going to be allowed to work from home almost permanently, though many investment professionals will eventually be required to return. When it comes to which days employees are allowed to work from home, most of our panel envisaged that Friday is likely to remain 'remote working day' for some time to come.

Our group of CFOs and COOs from real estate managers, often big investors in office buildings themselves, nonetheless agreed that they need to create value to being in the office, emphasising that it benefits their personal development and team cohesion, rather than simply telling them to come back 'because we say so'.



Tasked with running a profitable business making sound investments on behalf of their clients and ensuring that their company is run in an efficient and effective way, talent is a topic that is on the minds of CFOs and COOs. Whether it be ensuring that their teams are adequately staffed, fairly compensated, highly motivated, and reflective of wider society or integrated into their organisation, our panellists appreciated the opportunity to share insight and best practice with their peers to promote alignment across the industry.

This was the third in a series of Bohill Partners CFO/COO roundtables, where we gather a small group of industry leaders from global real assets managers to identify common issues and discuss opportunities to benefit the sector.



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