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SUPER ISSUES 2018

Including a special focus on emerging social and psychological challenges facing asset owners and managers

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Executive overview

There is a range of trends, themes and issues that our industry will need to address this year.

Improving environment, but increasing challenges

The majority of respondents expect this year to be better than last year, with improving markets and economies. This was compared to 75% last year. Almost a third expect it to be similar to last year (more than the 15% last year), while one-in-10 expect it to be worse than last year, (up slightly on the previous year 8%).

The biggest concern for our people is whether their organisation can transform enough to keep up with the changes around them. This was followed by concerns over increasing competition, further regulation, changes in the industry and volatile markets.

Increased demand for administration and operations roles

The people and skills expected to be most in demand this year are for administration and operations roles. (Last year the roles most in demand were sales and marketing, and administration.)

Demand for investment management and sales is also expected to be strong. Interestingly, demand for risk and compliance as well as technology experts is expected to drop as these teams have already been developed.

The key here is not just 'filling a role, but identifying the best possible people. Cultural fit is by far the biggest challenge when it comes to identifying the ideal candidate. It was the biggest issue last year

too, but for a lesser number (60%) of respondents.

There is also a need for more / improved employee engagement programs to help retain people.

Retirement requires more than money

While our industry is good at focusing on helping retirees determine how much money they need for retirement, we are not as good at helping them with social and psychological issues. We need to do more to help them once they stop working.

Boards and senior management need to do more

The era of cost-cutting is over. It has been replaced by the era of innovation and transformation. There is more to running an organisation than cutting costs and now is the time to change and learn new ways of doing business. This is why those that harness technology to empower their customers are winning.

What do you think lies ahead for the rest of 2018? Compare your views with those of the industry on the following pages.

The findings

- The majority of respondents expect this year to be better than last year (43%), Just under a third expect it to be similar to 2017 (29%), and One-in-ten (13%) of respondents expect this year to be worse than last year (13%).
- The biggest concern for our people is whether their organisation can transform enough to keep up with the changes around them (29%).

- This was followed by concerns over increasing competition, further regulation, changes in the industry and volatile markets (each 13%).
- The people and skills expected to be most in demand this year are for administration and operations (29% each).
- Demand for investment management and sales is also expected to be strong (14% each).
Interestingly, demand for risk and compliance as well as technology experts is expected to drop away as these teams have already been developed.
- Roles will mostly be filled by external recruiters, who charge between 16-20% commission, or a mix of techniques starting with own search then progressing to external assistance.
- Cultural fit is by far the biggest challenge when it comes to identifying the ideal candidate (85%).
- There is a need for more / improved employee engagement programs (98%)

Figure 1. Do you expect 2018 to be better or worse for our industry than last year?

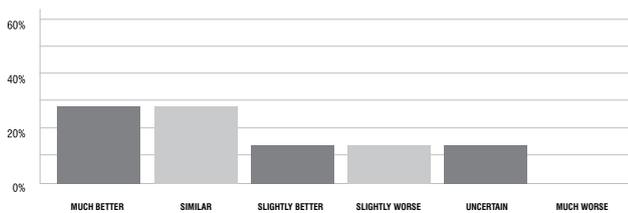


Figure 2. What do you see as the biggest issue facing your organisation this year

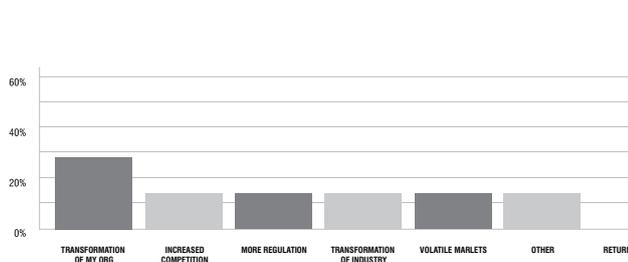


Figure 3. In which areas do you expect to hire the most people this year?

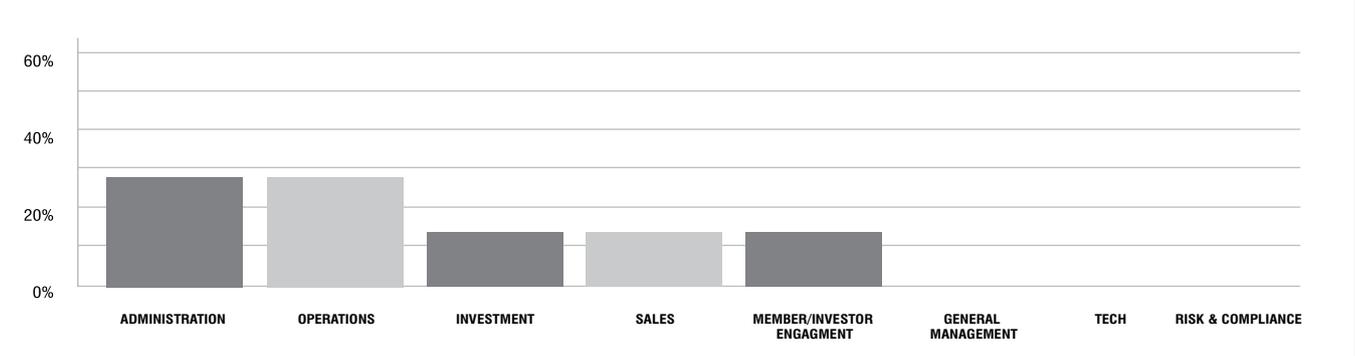


Figure 4. How do you expect to find them?

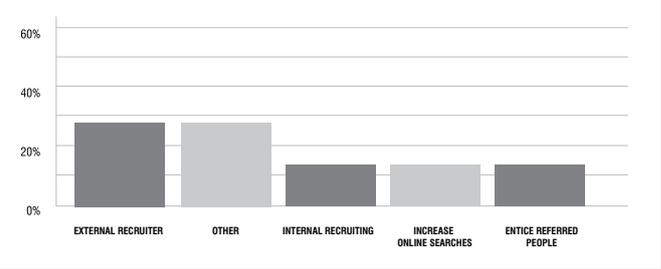


Figure 5. What is most important to you when hiring?

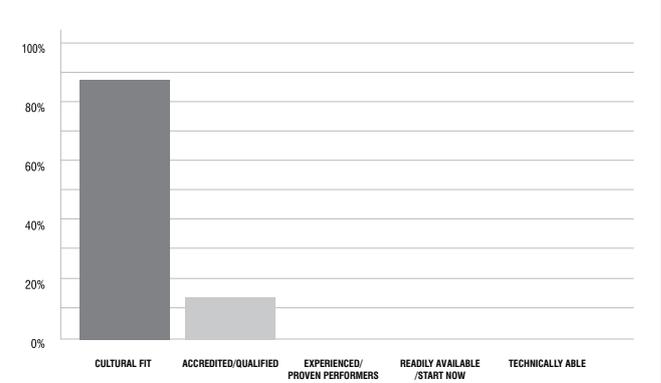


Figure 6. Do you have an employee engagement program to help retain them?

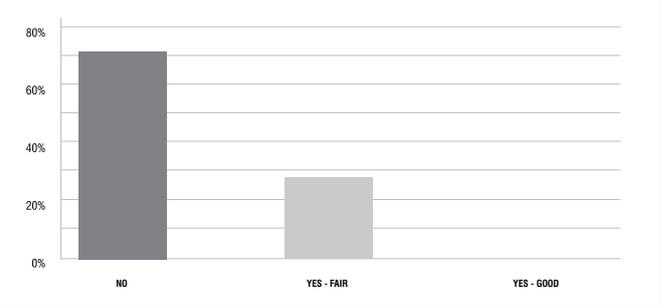


Figure 7. Organisations often benchmark their people against the market by advertising or asking recruiters to suggest candidates – without actually wanting to hire them. This is damaging the reputation of organisations and the overall industry. How will you address this?

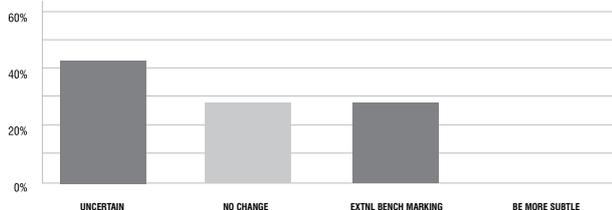


Figure 8. Are you happy with your recruitment process?

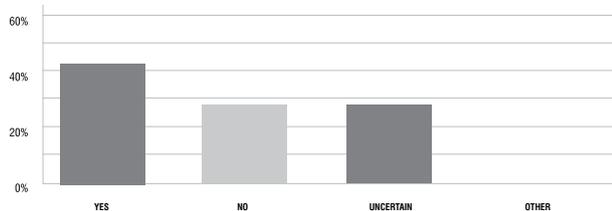


Figure 9. What is the average commission you pay for external recruitment?

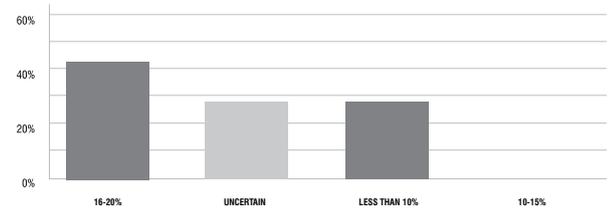
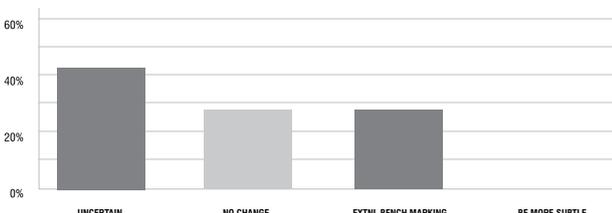


Figure 10. Is your risk and compliance team adequately resourced and skilled for data governance, data explosion, IT and cyber security issues?



Environment improving, but challenges increasing

This year’s survey again provides some interesting findings; but the most interesting one isn’t in the main responses.

Rather, it is in the actual number of responses. These are down substantially on the previous year. Why is there less interest in providing thoughts and input into the outlook for our industry?

The almost 50% drop in the number of those who contributed their input on the outlook for our industry this year highlights a major concern that is in front of each of us, but often overlooked.

Our people report that they are just too busy, trying to do more with less, and that they are increasingly stressed.

Rising social and psychological pressures

Rising stress levels are in large part the result of increasing competition from new entrants (like Zuper, Grow, Spaceship, Human Super and others) as well as established organisations (imagine if Amazon or eBay expanded into superannuation), combined with new technology such as artificial intelligence and robo advice. This has seen our industry become more competitive than ever before.

Most people, including most management, don’t know how to respond to these increasing challenges and associated pressures.

Rather, these challenges are considered threatening to people and it is increasingly making many of them feel vulnerable and insecure.

This adds to increasing disempowerment being felt by many. The latest World Inequality Report 2018, for example, shows that the rich to poor gap has widened and is now at its highest level since before the Great Depression.

Rather than learn how to rise to meet these challenges, the leaders of the majority of asset owners and managers have hunkered down.

No wonder the biggest concern for our people is whether their organisation can transform enough to keep up with the changes around them. (This was also the top concern last year, suggesting that management is having little success alleviating it.)

From leaders right down through the ranks, we continually hear that people are too busy, too afraid to innovate and often even more risk adverse than previously. The report leaders are scared to try new approaches, to make mistakes, for fear of failure, of digital media criticism, of regulatory focus.

Similarly, while a majority of people report that they would prefer to work for a more innovative asset owner or manager or even a fin-tech, they currently prefer to stay with the security of their known current employer.

They report that they need their job to pay their mortgage - and will do whatever it takes to keep their job, including being more ‘ruthless at work’.

This demonstrates an alarming trend - just how focused on ourselves many in our industry have become. Our focus on members and investors is noticeably less. (Though the focus on performance remains ingrained.)

The pressure will only amplify when interest rates rise, as expected later this year.

As a result, we are at a point where there is a pressing need for the management of our asset owners and managers to increase their focus on our people’s social and psychological needs as well as that of members and investors.

Retirement is not just about money. Certainly, retirees seek financial security and we aim to provide that. But they also need more, they need personal and psychological security - to feel valued, connected and more.

Our industry started with a focus on supporting and providing for our stakeholders. But somehow, lately, that focus has narrowed to the financial aspects alone.

We need to widen our focus if we are to meet the challenges of



The quote

Our industry, which was built on the foundation of providing for the welfare of our members and investors in their retirement, is becoming more self-absorbed, moving away from our very reason for being, our social purpose

today - from new entrants and competitors – and harness the technology that better empowers people, members and investors in order to maintain and deliver on our role as custodians of investors and retirement.

Retiring takes much more than money

Our industry is very good at estimating, and trying to provide for, how much money our members and investors need for their retirement. However, there are also a lot of other important factors to retiring.

We don't invest nearly enough, for example, in providing our stakeholders with the personal, social and psychological tools to retire. There is much more to retiring than money.

While paying down debt and determining how much money you need to live on is important, so too is what you do to provide ongoing purpose and meaning to your life?

People expect that once retired that you are living the good life. That is often far from reality. Retirement is not like jumping off a diving board into your dreams.

Rather, it's a process and it takes time. There is a lot of psychological work each person needs to do leading up to it. For example, who we are is too often determined by where we live and what we do. Travel or a new hobby may not be enough to satisfy this.

Retirement isn't a permanent vacation. It can also bring loneliness, boredom, feelings of uselessness and disillusionment and the inevitable question - is this all there is? Some retirees report feelings of anxiety, depression and suicidal thoughts.

Non-financial aspects are as important when retiring

What else should we be advising new retirees?

It is estimated that half of all financial advisers are asked to provide some advice on the social and psychological aspects of retirement. Many cite that they don't know what to suggest, other than a Google search.

One place to start is the transition to retirement. It should not just be financial. Start with reducing work hours to a nine-day fortnight, then four days a week, then three and if possible job share doing two days a week.

This provides a truer transition to retirement. It also provides extra income, enabling your super to last longer.

Some questions to ask to help those planning for

retirement explore and develop their post-retirement identity are:

- How do you plan to spend your time?
- What are your hobbies?
- What activities will fill your days?
- Are people in your social circle already retired?

The answers will be different for everyone. But by starting to think about them those approaching retirement can start to be better prepared, to start doing research, to ask others about their experience and what they found that worked for them.

Research, for example, has found that working or volunteering during retirement can help stave off depression.

Perhaps the most difficult aspects of this stage in life is managing the self-examination questions that must be answered, such as "Who am I, now?" "What is my purpose at this point?" and "Am I still useful in some capacity?"

Accordingly, we need to invest as much if not more time in their social or psychological portfolio planning before retirement, to figure out what makes them happy and provides a sense of purpose.

Unfortunately, today, too many in our industry have forgotten the fundamental of why we do what we do – for our members and investors' total (not just their financial) well-being.

Conclusion

It is another year of change, so expect more of it. The key will be how you respond to the challenges and changes – how you transform.

Do you have the skill set to manage this?

Other organisations, new entrants and your competitors are skilling-up, determining and positioning themselves – and their people.

Don't be left behind.

Innovate, take decisive steps and ask those who know for advice. **FS**

This research was undertaken by SUPER Recruiters, Kaizen and Riskwise Professionals between January and February 2018. The survey was sent to over 500 industry leaders and managers, with the resulting 29 respondents well down on the previous year. Others were interviewed for the focus sections. All responses were provided anonymously.