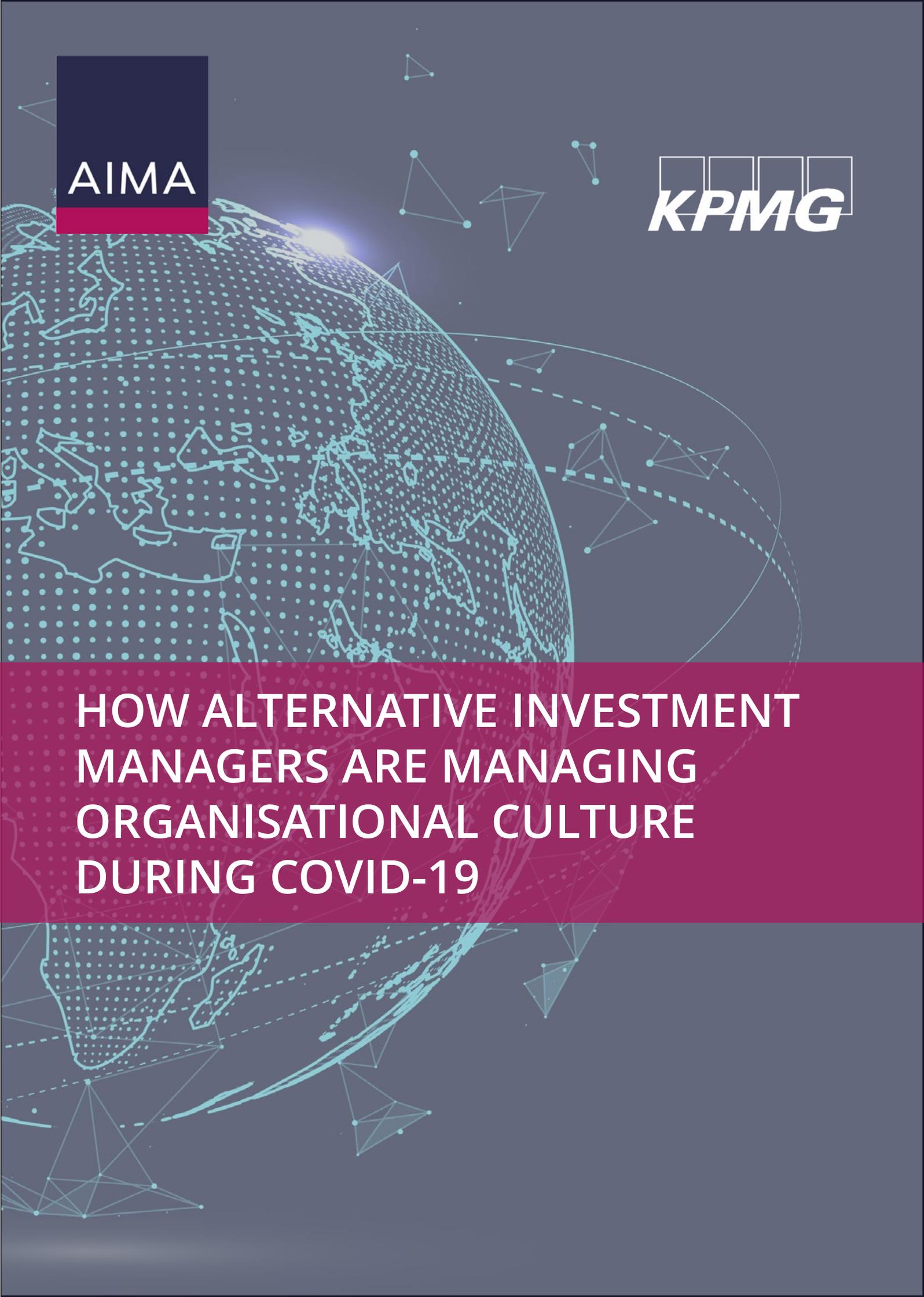


The AIMA logo consists of a dark blue square with the word "AIMA" in white, sans-serif capital letters. Below the square is a horizontal red bar.

AIMA

The KPMG logo features the word "KPMG" in a bold, white, sans-serif font. Above the letters "K", "P", and "M" are three white rectangular boxes of varying heights, stacked vertically.

KPMG

The background of the entire page is a dark blue-grey color. It features a large, stylized globe on the left side, composed of a grid of white dots and lines. The globe is partially obscured by a horizontal red band that contains the title. To the right of the globe, there are several abstract network diagrams consisting of white dots connected by thin white lines, suggesting a global or digital network. The overall aesthetic is modern and technological.

HOW ALTERNATIVE INVESTMENT MANAGERS ARE MANAGING ORGANISATIONAL CULTURE DURING COVID-19



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HOW ALTERNATIVE INVESTMENT MANAGERS ARE MANAGING ORGANISATIONAL CULTURE DURING COVID-19

In the AIMA and KPMG paper "[Agile and Resilient](#)", we explored the impact to the hedge fund industry of working in a decentralised environment.

During the survey and the interviews which formed that paper, a resounding theme was that maintaining and optimising the culture of the organisation is a critical priority as well as a challenge for the industry.

We decided to explore this topic further in additional webinars and analyses to determine to what extent firms across the broader alternative investment landscape were managing their organisational culture during these times. Among the key questions that we looked to address included (i) what are the challenges still being faced by firms today in managing their organisational culture? (ii) what lessons did firms learn about how to manage their culture during this period of decentralisation? (iii) how important is culture to a hedge fund, to its constituents, to its investors, the regulators, its employees and to the success of the firm and finally (iv) how do senior leaders continue to deliver the firm's mission as well as maintain a culture of compliance?

While all these matters and more are important to the sustained growth of a firm, all are continued to be tested as they return to the office or consider a hybrid model of working (*working remotely some days and working in the office other days*). There are unique characteristics and nuances to hedge funds operating in this environment.

To help us discuss these issues further we hosted a manager roundtable last month underpinned by several polling questions¹ taken on the day. Below are the four key takeaways from this discussion.

1 Communications	2 Employee wellbeing	3 Hiring/Retaining and getting the best out of your firm's talent	4 Adapting to a much changed working environment
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¹ Approximately 200 firms participated in these polling questions.

1. Communications

Culture and collaboration have become an increased priority as firms seek to maintain their differentiators in a decentralised environment. They recognise the need to keep people feeling connected, engaged, and productive.

The impetus for this is not solely being driven by investors, but by regulators too. In the UK, the FCA deems culture to be both a major driver and potential mitigant of risk. Last spring it published a series of industry [papers](#) aiming to encourage discussion and inspire financial services firms to take progressive steps in creating more purposeful, diverse safe and inclusive cultures.

In addition, they have extended the Senior Managers and Certification Regime (SMCR) to 48,000 firms that they regulate for both conduct and prudential purposes. Other regulators globally have joined the chorus in asking for the industry to develop better culture, including the SEC in the US and ASIC in Australia.

The COVID-19 crisis is redefining what good business leadership looks like. To maintain the trust of employees and clients, senior management must demonstrate that they live and breathe their organization's purpose.

As **Richard Haas, Senior Advisor to Capeview Capital (Former CEO of Capeview Capital)** asserts "One thing I learned early on in my career is that good compliance is good business. No more is that

true than today. Continuing to communicate the importance of compliance to employees during this time cannot be underestimated". While most firms have seen their senior leadership increase the frequency and level of communications during the past year, at the same time, they are keen to make sure that employees are not overwhelmed with receiving too much communication. More importantly is the quality and transparency of communications from senior management.

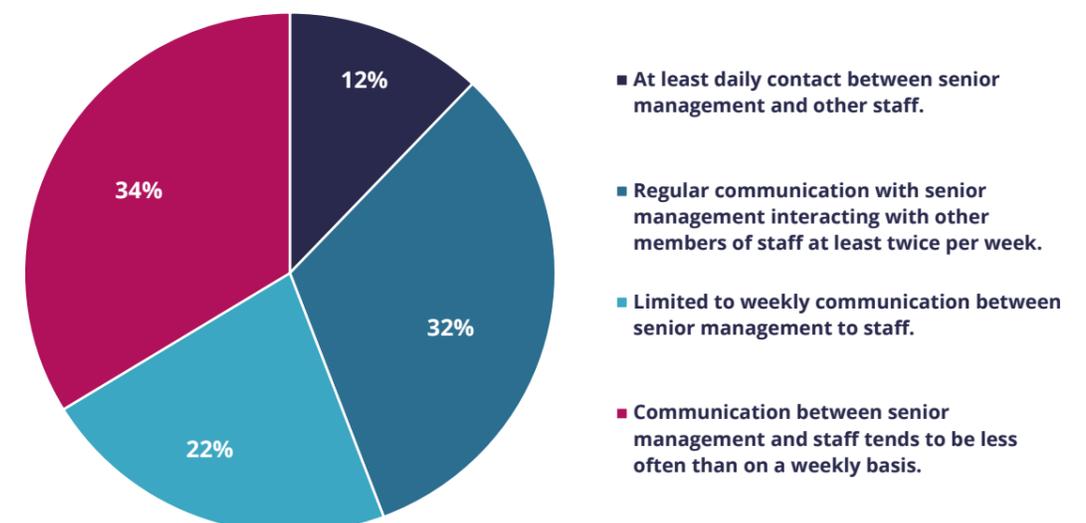
Duncan Ford, COO, Marshall Wace continues "During this period, we have tried to evolve our communications to keep it fresh, have the appropriate depth where necessary and to be inclusive in our engagement".

Senior management must listen, be attentive and react quickly to employee feedback. Without the physical contact from working under one roof, this requires an additional effort to transmit messages that are meaningful, informed, and empathetic. It is important also to ensure that any communication does not centre on work alone but on maintaining employee wellbeing.

Communication between employees has also changed during this time. Firms are embracing the availability of virtual environments as well as more traditional forms of communication.

As **Rosie Reynolds, Chief Commercial Officer, Aspect Capital** elaborates "It is recognising that not everyone receives communication in the same way. Rather it is listening to what works for some and not for others".

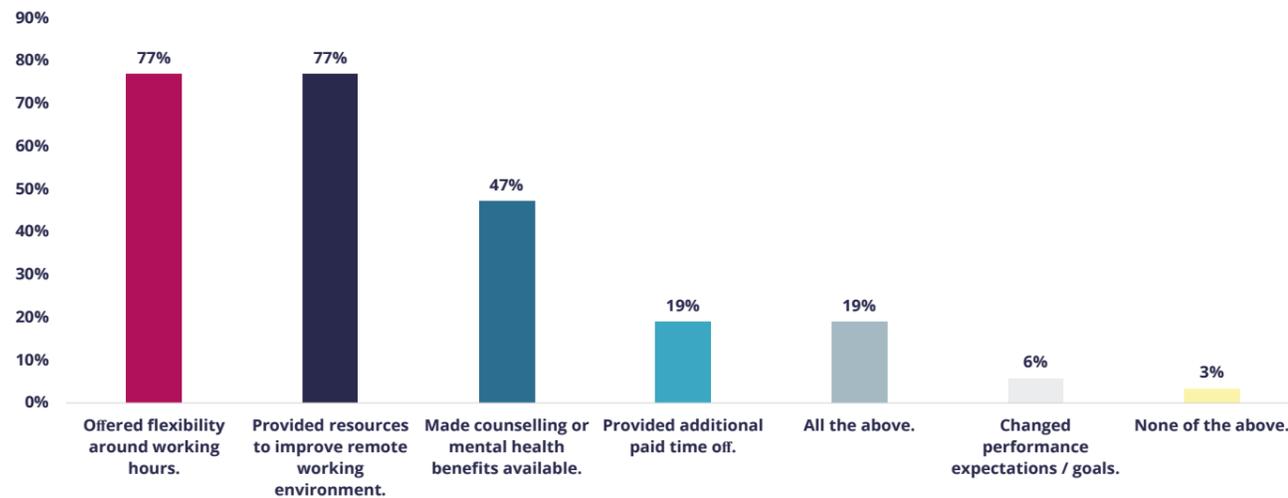
Describe the frequency of communication from senior management at your firm during this period?



2. Employee wellbeing

While making the switch to virtual working has proven to be far more effective than was originally expected, senior leaders are concerned that many employees seem unable to switch off from the job. The Agile and Resilient report found that firms are concerned that the lack of routine and structure together with protracted periods of isolation from colleagues is impacting on the mental health and wellbeing of employees.

Which of these benefits if any has your firm provided since the beginning of this period?



A silver lining to this period of enforced remote working is that it has provided firms with a unique opportunity to understand more about their employees and the challenges that they are having to tackle, both work-related and personal.

Consequently, firms are rethinking employee wellbeing putting the physical and psychological needs of their staff at the centre of all business decisions. Senior leaders recognise that every employee experience is unique (particularly during this period). They play a key role in motivating, leading by example with direction and purpose; supporting those who may be struggling and being aware of individual issues that employees are experiencing.

In the words of **Emily Macina, Head of HR, Napier Park** "When we were in the office, when we thought of employees' wellbeing, it was more work focused, it was what was happening within the four walls of our office. Now those four walls extend to everyone's homes and it is that decentralised environment that we have discussed, now employee's well-being is encapsulated more than just the direct work

environment, its supporting parents who have now become home schoolteachers, supporting those employees who have themselves or have loved ones who are at higher risk of contracting the virus".

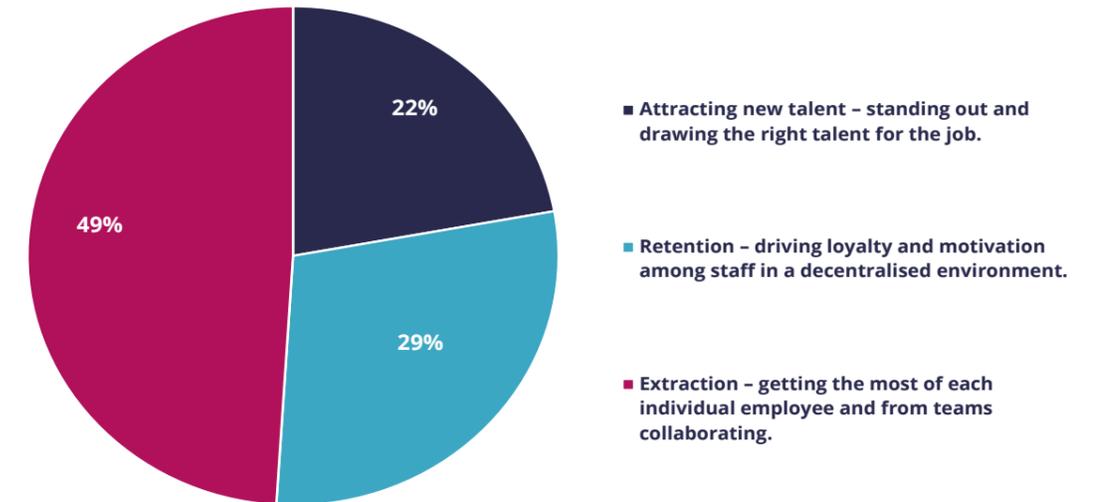
Simple but effective support from firms has been to ensure that their employees are equipped with the right tools to be able to work effectively in a decentralised environment. As **Lara Carty (Head of Talent, Man Group)** describes the reaction from Man Group "In the space of one weekend, all members of staff were at home, wherever home was. Our default assumption was and remains "connect, connect, connect".

They are also making available more online learning platforms, whether it is to improve learning, facilitate greater communication (work/non-work related) as well as offer support services to cater for employee wellbeing (including access to digital GP services, online yoga, and exercise classes). Often deemphasized prior to the pandemic, workforce flexibility is becoming a prerequisite to both attract and retain talent.

3. Hiring/Retaining and getting the best out of your firm's talent

Related to a firm's culture, managing talent requires that senior leaders both focus now and on the long term future of the firm. Talent risk has become the number one threat to a firm's long-term growth with CEO's recognising the need to keep people feeling safe, but also remain engaged and productive.

Which of these parts of talent management are the most challenging for your firm right now?



One of the biggest challenges that firms are having to contend with during this period is learning how employees can truly collaborate in a decentralised environment. Arguably the most vulnerable employees during this period have been the most junior members of staff, specifically those who are inexperienced in their roles.

As **Richard Haas** reflects "One of my particular concerns arising from having everyone to work remotely is perhaps what could be the lost generation, those younger people starting out in the workplace, I think it is that age group who are really missing out the most during this pandemic. This situation, while not ideal is fine for us senior managers, we can cope and carry on, we know what we are doing. But it is the junior staff who are losing that learning by osmosis, being able to absorb what is going on in the office, picking up things from the senior levels of staff. This might just be a quick throwaway line, "can you do such and such?".

That isn't happening. That worries me immensely because you don't just pick up the phone to the more junior members of staff you might see in the corridor or by the coffee machine or whatever and have those casual conversations".

Ordinarily these would need the most guidance but being forced to work from home has made the challenge even tougher. According to **Lara Carty**, "Mentoring programs have skyrocketed during the lockdown, where firms have made a real effort to have junior staff learn from others. Unfortunately, it cannot occur through the traditional method of observation. So, we've had to employ different methodologies, accept that the solution might feel a little different, and have gained some interesting feedback during this process".

The emergence of virtual meetings and a variety of work tools leveraging the use of video technology has also been critical to this effort. It has helped that some employees (particularly tech staff) had experience of working virtually prior to the pandemic. This experience proved particularly valuable for the wider firm to become quickly comfortable with the ability to be able to transition work to a remote setting.

Firms are also using this period to focus on how best to extrapolate productivity from the talent that they have available. Senior leaders have been trying out new ways to ensure collaboration among their employees remains strong, despite the myriad of challenges presented by working remotely. Some standout examples include

hedge fund firms mimicking a trading floor environment and offering their employees access to “always-open” virtual rooms which mirrors the office environment (and various functions within) at all stages of the day.

While remaining mindful to look after their own people, hedge funds continue to seek out the best talent available. Firms are continuously searching for front office revenue generating professionals that can make a real difference to the business. Throughout this period asset managers continue to actively pursue hires that have a strong pedigree in portfolio management, research, and trading. Experienced IR professionals are also in strong demand. The success of the industry being able to make the switch to working virtually has meant that firms

are amenable to hiring outside of their typical captive areas (by geography or by sector). Although, some firms are yet to be convinced that a transition to work will be optimum for them.

As **Duncan Ford** argues, “Overall, our preference is still to get people back working at the office. The overall dynamic of getting everyone back together working under one roof is more powerful than any other option being considered. I don’t believe that our way of working will go to a very distributed environment”.

Consideration regarding any hire must include the importance of maintaining the firm’s unique culture and ability to collaborate with employees whether at the office and/or working more remotely.

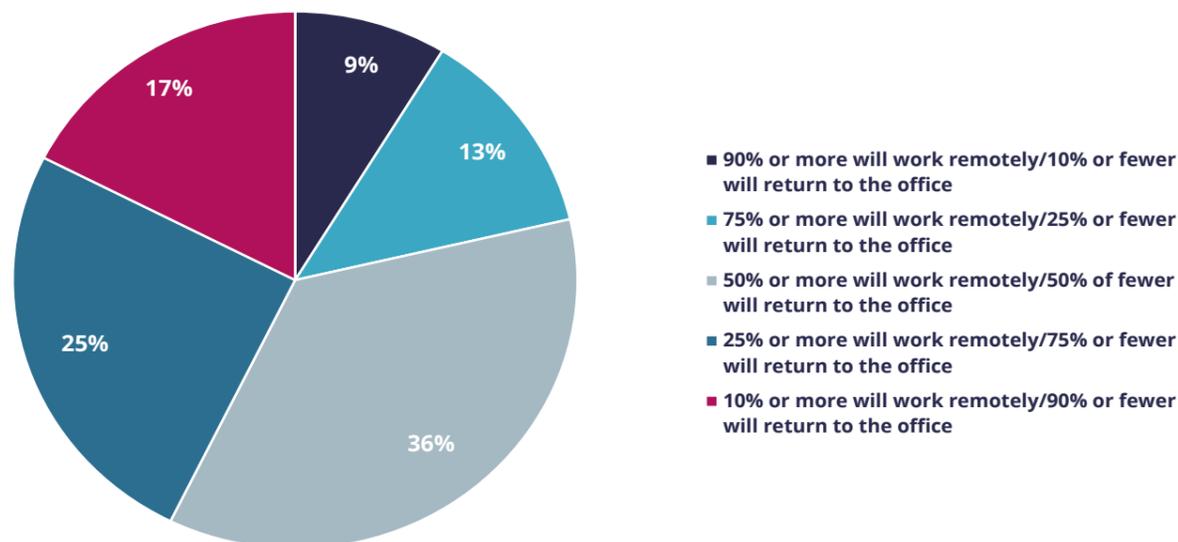
4. Adapting to a much changed working environment

Defining a clear strategy for the future of work will be critical, with a focus not only on the digital capabilities required, but also on strengthening internal trust, leading with empathy, re-inventing relationships with employees, managing diverse blended workforces and workplaces, supported by a clear purpose and sense of values to ensure that employees remain motivated and connected.

Rosie Reynolds continues “Collaboration underpins our culture. Without a satisfied and content group of employees, it is very hard to maintain productivity and collaboration”.

In redesigning the workplace, we must consider how to be more inclusive and cater for diverse talent. By working more remotely, this will enable the industry to embrace a broader scope of diversity in the workplace, inclusive of gender, age, sexual orientation, physical disability, cognitive diversity, lifestyle choices and socio-economic backgrounds.

As we transition out of the pandemic, what percentage of your firm do you expect to work remotely versus return to the office?

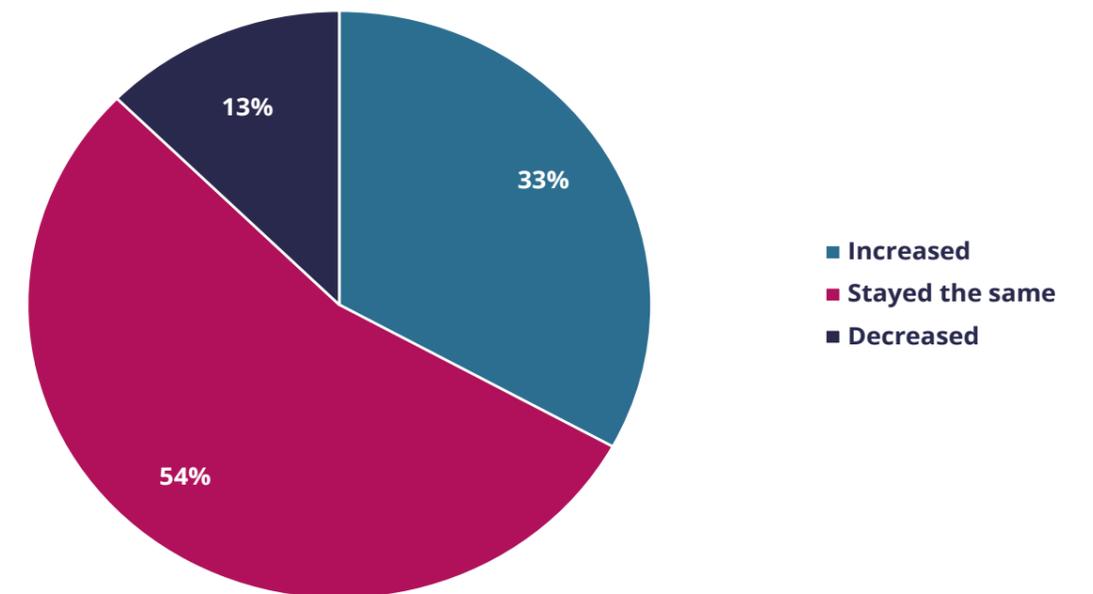


With the consensus that the approach to work post the pandemic is set to move to a more hybrid setting (working from home and working from the office), senior leaders need to ensure not to be seen to negatively discriminate towards employees who are working remotely.

The move to a more hybrid approach to work could create a “them” and “us” attitude detrimental to firm culture. The emergence of video technology (and with it the ability to have virtual meetings) should help in this regard, so that remote workers stay connected and engaged with workers who spend most of their time at the office.

According to **Emily Macina**, “The technology that we have available is amazing and is something not everyone was fully taking advantage of prior to the COVID-19 outbreak. The silver lining to all of this is that we are putting a lot of effort into learning how to work in a virtual environment and really embracing these new technologies”.

Compared to the first three months of the pandemic, employee productivity in the last three months has:



Working from home has proven to be far more effective than was originally anticipated. Throughout this period employees have been very happy with the flexibility on offer while continuing to be productive. However, with working from home expected to be the norm for at least the first half of this year and amid increasing expectations that any real return to the office (in number) will not be until Q4 of this year, senior leaders are closely monitoring productivity levels. New measures of evaluating productivity from working remotely and/or at the office are being tried and tested. There is no one size fits all approach that will work.

The twin challenge ahead for the industry is to how to ensure that productivity levels do not decline as it considers a transition to a new approach to work while fostering a culture that benefits the firm, its employees, and its clients.

5. Conclusion

Clearly, the Hedge Fund Industry has recognized that Organizational Culture is paramount to its success on every level – from its intellectual collaboration to its cultural values to its concern for its investors and employees. This has manifested itself throughout the pandemic and hedge fund firms have continued to adapt and recognize the inherent value in all these components.

Invariably, changing circumstances will continue to require re-evaluation. However, for now, we learn from the insights we have derived from the best practices that have served the industry well in recent times.

1. The leadership tone from the hedge fund's executive team is critical at every level.
2. Balanced and meaningful communication is ultimately appreciated by all employees
3. Firms should contemplate thoughtful ways to measure productivity going forward.
4. Firms should continue to take time to know and understand their employees on a work and personal level; it is comforting and motivating to the employee and also helps the firm derive the greatest value.
5. Do not expect normality on the return to office; rather expect change to accelerate.
6. Expect different versions of the Hybrid model of work; don't expect one to be all encompassing; they will all be tailored to the nuances of the employees and the organization.
7. Expect technology capabilities to accelerate faster than change.
8. Continue to focus on the future; recall that there is an inexperienced segment of the employees that have a particularly difficult adaptation period currently.

Acknowledgements

AIMA and KPMG would like to thank the following persons for their participation in the culture roundtable:

- Duncan Ford, COO, Marshall Wace
- Emily Macina, Head of HR, Napier Park
- Lara Carty, Head of Talent, Man Group
- Richard Haas, Senior Advisor to Capeview Capital (Former CEO of Capeview Capital)
- Rosie Reynolds, Chief Commercial Officer, Aspect Capital

Additionally, AIMA wishes to thank the following persons:

- [Ed Hollywood](#), Managing Director, KPMG in the US
- [Jim Suglia](#), Global Leader Asset Management Advisory, KPMG International
- [Joseph Fisher](#), Partner, KPMG in the US
- [Steven Menna](#), Partner - National Hedge Fund Segment Leader, Alternative Investments Practice, KPMG in the US

