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The Spotlight

The Spotlight is a regular Q & A feature that showcases our people, their expertise, and trending topics that are on top of our clients' minds directly from the voices of our business leaders.

Adam Barnett, Partner, Asset Management

Adam Barnett is a Partner in McLagan's asset management practice, providing performance and reward consulting services to various investment management organizations. Adam's areas of expertise include designing annual and long-term incentive plans and sales compensation programs, conducting sales and financial performance benchmarking studies, and analyzing competitive compensation practices and levels.

Questions and Answers

Do you believe that money impacts happiness?

Generally, no. Except for truly poor people—those who would go to sleep hungry if they didn't have money—researchers find that money has little impact on happiness. These findings have interesting implications for compensation professionals, especially since our work focuses on the primacy of money. In particular, if the quest for happiness is universal and more money does not make people happier, why do we (and our clients) insatiably focus on money?

Do you believe that money motivates people?

It's hard to generalize, given that each person is motivated by different things based on their unique genotype, upbringing, early childhood experiences, etc. There are also various forms of motivation—extrinsic motivation and intrinsic motivation, to name just two. Subject to these qualifications, researchers conclude that money supports extrinsic motivation, where actions result from external demands, such as rewards and punishments. Researchers also conclude that money may inhibit intrinsic motivation, where actions result from a person's interests, passions, beliefs, and values. Essentially, people who are intrinsically motivated may feel compromised if they perceive that they are being influenced by a contingent reward like money.

What are three words that describe the asset management industry today?

Disrupted. The asset management industry is being disrupted by: (1) the shift to indexed investing from traditional active investing; (2) evolving technologies; and (3) changes in investor behavior, including, but not limited to, the continued shift from DB to DC pension plans.

Beta-dependent / exposed. Over the past five years, the asset management industry's record-high financial results have been fueled by buoyant financial markets. As financial markets fall, effectively normalizing the record gains of the past few years, asset management company revenues, headcount, and pay will decline.

Attractive. All is not doom and gloom. In fact, it's far from it. While the industry faces significant challenges,

- Asset management economics are still great (average profit margins of 33% in FY 2017).
- The industry is lightly regulated compared to banks.
- The underlying mission—providing people with retirement security—is still noble.

If you are interested in connecting with Adam, he can be reached at abarnett@mclagan.com.