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WHAT TO EXPECT FROM YOUR HEAD OF INSTITUTIONAL SALES: BEST PRACTICES IN INVESTMENT MANAGEMENT

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What does it mean to be a leader? A manager? Though the words are often used interchangeably, they really represent two distinct, though related, skill sets. Nearly every GF Parish Group executive search assignment involves a discussion with our client about leadership and management expectations. In this article, we will examine how those discussions influence the performance expectations for and profiles of ideal candidates for the role of Head of Institutional Sales in the investment management industry. We will also share an overview of management and leadership best practices in the role that we have gleaned over our 17 year history in investment management recruiting and the additional prior 13 years of direct experience in institutional sales by the firm's founder, Gabrielle Parish.

What are the differentiating features of leadership and management? Vision, long-term strategy formation, and the ability to better one's entire team by being a guiding force are the hallmarks of a leader. Tactics, education, measurement, oversight of inter-personal dynamics, control of information flow and communication are the realm of a manager. An excellent head of sales masters both and recognizes when to manage and when to lead. The balance between leadership and management is partially determined by the nature, size and culture of the firm. For example, a Head of Institutional Sales who will be a player/coach must, by definition, have responsibilities that differ from a pure coach. A player/coach is offered the chance and obligation to lead by example but has fewer opportunities to interact and guide the team. On the other hand, a pure coach may be an excellent resource and nurturer of a team but may gradually lose credibility by not "being on the front lines" with prospects and clients. There is no one perfect solution for every investment management firm, but there are best practices that one should expect from every Head of Institutional Sales.

SETTING THE VISION

The vision for the future of the firm rarely starts with the Head of Institutional Sales, but in smart organizations, that leader will participate in the setting of strategy by painting a realistic picture

of the competitiveness of the firm's products, performance and personnel. With a vision in place, however, it usually falls to the Head to determine performance goals for the team and for each individual. Some organizations mandate specific new asset gathering levels by backing into the number necessary for maintaining quarterly earnings or some other desired metric, but that is a red flag for another article. (Suffice it to say that keeping management's expectations realistic is a true trait of leadership and also a practice that will win loyalty of one's sales team.) Best practices make an iterative process of setting individual performance goals. Ideally, each salesperson will propose a number that sits comfortably between a conservative and a "stretch" expectation, one that takes into account performance returns, quality of relationships, and product appeal and flows in the team member's specific sector/s. The Head of Institutional Sales should delineate product emphasis/focus as well as any other strategic goals and a tangible sales goal should become a reality.

EXECUTING THE VISION

Once goals are in place, the role turns to excellence of execution. Leadership traits will demonstrate by example, create a culture of excellence and collaboration, and inspire enthusiasm and motivation. Management skills will set specific expectations and metrics. These will outline activity levels in terms of meetings, prospect "touches", pipeline movement, travel, CRM use and reporting format. They will also outline elements of the job that can't be counted, such as product knowledge, open communication and demeanor both outside the office and within. Both leadership and management abilities are needed for a truly successful Head of Institutional Sales.

Following interviews with hundreds of candidates for Heads of Institutional Sales roles over many years, we summarize below some of the best practices and standard metrics employed by those individuals in respect to their sales teams. All of these are AVERAGE numbers, and by necessity, they will be disrupted periodically by extraneous circumstances.

- Each salesperson is expected to conduct 10 *valuable* meetings per month. Superb sales people will often deliver 15 meeting per month, divided among prospects and/or consultants. While the term "valuable" is subjective, the team leader should provide clarifications around making introductions to qualified prospects or advancing the potential with an existing prospect vs. scheduling meetings for the sake of reaching quota.
- The methodology for optimizing meeting quality should include substantial research to identify prospects that are under-allocated in asset classes offered by the firm, or prospects currently invested in those asset classes with competitors experiencing prolonged underperformance or changing fundamentals (personnel turnover, negative press, drifting from the stated mandate, removal from a consultant's approved list, etc.). Setting up productive meetings is not simply about whoever returns your call.
- As regards consultants, getting on the approved list is not the end game. Rather, the team must work to identify clients of those firms for both marketing and direct calling, targeting the appropriate field consultants, as well. Since consultants don't typically advise their

clients proactively about additions to their approved list, it is up to the team to share the news.

- It is best to plan for 3-4 days of travel every other week. Institutional salespeople should expect to travel 40-45% of their time on average. Those who travel incessantly or claim to do so are not allowing sufficient time in the office to properly prepare for each upcoming trip and to appropriately follow up after completed trips.

Holding staff accountable to these Key Performance Indicators (KPIs) requires open dialogue and suggests weekly updates on everyone's KPI progress. The most successful Heads of Institutional Sales use these meetings to create internal conversations on how to overcome obstacles and extend mutual assistance. They let high performers set the standard for the rest of the team and allow social and competitive dynamics to do their work. They mentor those that are lagging but set clear expectations for improvement. It's important to be sensitive to the fact that high performers may eventually resent carrying the load when underachievers don't show effort and/or improvement.

Feedback at weekly meetings does not remove the need for formal periodic performance reviews. Working with HR in many cases, the team leader will create a standard format and request written self-analysis by each team member prior to the review. The very act of asking direct reports to look in the mirror forces reflection rather than just reaction. Though it may appear as an annoying task imposed by a manager, it represents a step towards self-betterment directed by a leader. The contents of the review should incorporate both quantitative and qualitative elements, and the head of the team should complete his/her own review of the employee independently. One cannot shy away from expressing dissatisfaction with results, but they must always be framed in the context of any external obstacles that may have arisen. Honest assessment of the strengths, weaknesses and motivations of each team member must be shared in a constructive manner to provide the best opportunity to learn, advance, modify and succeed.

SUPPORTING THE VISION

To constantly improve the skills of the team, the Head of Institutional Sales needs to provide ongoing formal training and education, as well as an environment of collaboration among sales staff so that learning from each other becomes a norm. Most successful sales team leaders schedule product presentations by the various investment teams to stimulate a discussion of the product differentiators, strengths and weaknesses vs competitors, and role of the product in a total portfolio. Many also schedule mock presentations by the sales team for the sales team. If imitation is the highest form of flattery, then this provides the starting point for copying the most successful presenters.

The Head of Institutional Sales should also play a key role in developing unique marketing strategies for different audiences. One of the most challenging aspects of every sales role is staying visible and relevant, without becoming a nuisance or getting lost in the "noise", to prospects with no obvious near-term allocation opportunity. Today's emphasis on "solutions-based selling" enables multiple opportunities for dialogue and for becoming a trusted source of

added value, the root of all successful sales. The team leader should determine whether there is enough authentic, useful, unique and interesting material generated within the organization to support a monthly or quarterly news bulletin. He/she should guide the assembly of regular updates on markets and topics of interest to the various target audiences. Whether or not a product management function or thought leadership team exists at the firm, the Head of institutional Sales should also drive the creation of periodic white papers, webinars and website articles that truly represent the unique perspective of the firm. With these offerings and a well maintained email system in place, it becomes much easier to arm the sales staff with regular and useful touch points to support their sales efforts.

COMMUNICATIONS TO SENIOR MANAGEMENT

The Head of Institutional Sales must manage "up" in addition to managing and leading the team. This requires keeping investment professionals and other senior management updated on activity, pipeline, achievements and challenges on a monthly basis. There is often an "us vs. them" relationship between sales and investment professionals and a lack of appreciation for the nature of the sales process. It is up to the team leader to assist in unifying the different groups and in standing up for the salespeople. Investment professionals need to be guided regarding the importance of their own roles, beyond investment performance, in the sales process. Many successful institutional sales heads generate a quarterly report that tallies the number of RFP's completed, the number of meetings held for each strategy, a heat map that ranks the consultants in terms of shared clients, ratings, and activity with each of the investment strategies, the number of on-site visits and finals, and the wins and losses, highlighting the rationales presented for both. One of our strong candidates has suggested the creation of an AUM road map for management and investment teams so they fully understand the path investors take and how this affects sales and marketing priorities.

CREATING THE IDEAL TEAM

Each company and culture may require a different institutional sales structure, and many Heads of Institutional Sales inherit certain features or structures that, at best, are extraordinarily difficult to change. Nevertheless, it is critical to arrive at a personal set of preferences that don't rely on the status quo. Below are some of the considerations we discuss most frequently in our interviews with candidates.

- **DETERMINING TERRITORIES:** There is no correct answer in the debate between a structure that allocates by geography vs. one that distinguishes by sector (public fund, Taft Hartley, Corporate, Endowment & Foundation, Sub-advisory, insurance, and others). Capital, head count, and office locations may constrain the ultimate decisions. There is no question that decisions are made differently in the various sectors, but certain salespeople may be best adapted to one sector or they may be chameleons, with the innate skill of reading each audience and adapting their styles appropriately. Similarly, there may be cost efficiencies to assigning geographic territories, but if the degree of revenue growth dwarfs the associated costs of earning those revenues, geography may play second fiddle. The same type of question exists regarding the coverage of consultant relations as opposed to direct sales. Larger firms and staffs tend to believe that a more

consultative style is required to work with the research teams of investment consultants, and therefore, they segregate the functions into different teams; in the era of the "solutions-oriented salesperson", however, there is an argument to be made that the skill sets necessary for both audiences are interchangeable. The next decision tackles the coverage of field consultants, those who, like the salespeople, have direct relationships with the ultimate investors. Almost all firms involve the direct sales team in this coverage to one degree or another. Other decisions such as a central location vs. regional offices tend to be based on personal biases and historic experiences, though the nature and complexity of the product line may also be a factor to consider. The Head of Institutional Sales who inherits a team and a structure must strike a careful balance between the theoretically optimal and the historic drivers of a firm's success, and the appeal of the ideal in the context of the disruptiveness of change.

- **DETERMINING COMPENSATION PLANS:** Despite what proponents of either commission schedules or discretionary bonuses may claim, there is no clear winner in compensation structure. Each camp cites as its rationale one of our guiding tenets: incentives drive human behavior. Fans of commissions will cite this as the root of their sales success, believing that the hiring of hungry salespeople with the carrot of commissions drives sale after sale. Opponents say that this creates a team of self-serving Mavericks who have no incentive to collaborate. Those opponents prefer to offer a subjective bonus that rewards not only sales, but also appropriate collaboration and comportment. Team Commissions says "that's very friendly, but what did you actually sell last year?" More recently, the trend has been towards subjective bonuses. In our opinion, the most effective institutional sales leaders have paid commissions and withheld a portion of those in a pool that is divided up more subjectively based on all the "softer" factors at the end of the year: the best of both worlds. For instance, did the sales person really work to gain a deep understanding of the client and drive votes, or was the relationship equally driven by the consultant relations staff or others in the firm? Dollars from that pool can also help reward marketing and RFP staff who were particularly helpful. Add to this the need to address incentive compensation for consultant relations personnel, and the need to think about trailers if there is a separate client service team.
- **IMPLEMENTING A CRM SYSTEM:** Although there are plenty of institutional salespeople who still swear by Excel spreadsheets that they maintain on their laptops, the vast majority of sales team leaders require use of a Customer Relationship Management System (CRM). Its advocates use it, albeit to differing degrees, for three critical and diverse purposes.
 - ***Corporate Memory.*** All knowledge acquired during the sales process is the property of the firm and should comprise a living history so that the organization does not become reliant on the mental or laptop files of any salesperson. This is particularly critical when there is a change in personnel. Capturing essential information about prospective and existing clients requires a complete and disciplined commitment to using a CRM. Each meeting requires an entry into the

CRM that summarizes the meeting purpose, outcomes, new information and next steps.

- **Prospect Management.** The CRM “tickler” guides ongoing outbound sales and marketing activities and should be used to coordinate consistent messaging across the sales and marketing group. For any given client, the CRM allows a salesperson to manage the full constellation of influencers and decision-makers for any given account, to note their personal preferences for communications, and to remember what concerns, issues, and interests each has expressed. Follow-up activity can then be scheduled and tracked instantly within the system.
 - **Reporting Tool.** The CRM is the most effective way for management to track sales activity, wins and losses, to stay current on opportunity management, to identify obstacles and to assess pipeline growth. A number of Heads of Institutional Sales will not credit a salesperson with an appointment until the CRM entry is completed. Budgets that allow the salespeople to access the CRM via their smart phones or laptops render the task that much easier, because it is typically easiest to capture the information dutifully immediately following the meeting.
- **CONFERENCE POLICIES:** Whether they are considered the most cost-effective manner of marketing or the least effective allocation of time and money, conferences must be evaluated in a formal process by the Head of Institutional Sales. Best practices establish an evaluation process for budgetary allocations at the beginning of the year. In some cases, each salesperson presents a written rationale and action plan for attendance, to include speaker opportunity, hosted events, planned meetings, and identification of key prospects and clients in attendance. Ultimately, the selection process does not need to be seen as equitable to all salespeople. Some channels and products will benefit from conferences more than others. Sales leaders who require a group presentation on items learned/covered at the conference seem to inspire the best results. The departmental attitude should be that any salesperson’s attendance can benefit the whole team.
 - **SETTING HIRING AND TERMINATION POLICIES:** When thinking about hiring, a Head of Institutional Sales must work closely in conjunction with HR to incorporate the firm’s protocols and values. It is key to have written guidelines for hiring, as our assignments have proven time and time again. Without those, decision makers can turn a tertiary factor into a guiding light for identifying a candidate, even when the candidate does not meet the vast majority of the initial criteria. This is not meant to dismiss in any way the notion of intuition or "gut feel" as an indicator for a hire; gut feel alone, however, should not be enough to override a carefully selected list of criteria. That list also forms the early guidance to the candidate of performance expectations, and it demonstrates the thoughtful approach that will be applied towards measuring performance over time. Criteria added to the list can be specific or broad. My favorite single candidate response to "what do you look for when hiring for your institutional sale team?" was "someone who has been raised well", a broad open-to-interpretation criteria that nevertheless, paints a clear picture. As for termination instances, the establishment of guidelines for

an early warning system and communication of those guidelines can avoid many headaches down the road, both legal and emotional.

THE DIRECT SALES FUNCTION

If a Head of Institutional Sales has no proprietary territory, it is still critical to stay current with the marketplace by meeting and speaking with clients, prospects and consultants directly. Being on the "front lines" provides credibility both with senior management and with the sales team, a framework for understanding the work lives of the team, and market knowledge that helps shape strategy. Additionally, there is no better way to understand the relationships and abilities of the salespeople than as a direct witness. It enables better mentorship and can foster closer bonds with the salespeople.

If the role is, instead, a player/coach, different opportunities and concerns exist. The Head of Institutional Sales will always face the challenge, whether real or perceived, of potentially putting his/her own priorities before those of the team. Healthy competition takes on a different hue when one of the competitors is the boss. Even finding a good balance of time management can be tricky. On the other hand, if the structure of the team features this player/coach role, it provides an excellent chance to lead by example and to set a standard of excellence.

SUMMARY

The best practices presented here represent a range of topics and concerns that our clients consider as they formulate policy and make hiring decisions. Though we have focused on one particular role for the purposes of this article, GF Parish Group uses variations of the same approach for every one of our assignments, whether for a Director of Fundamental Research, a Chief Investment Officer, a Head of Operations, a senior leader in data governance or analytics, or any other role within an investment management boutique. Once management and leadership expectations are well understood within the context of industry best practices, we craft a position description to well represent our clients' requirements and expectations. We then present candidates via detailed written profiles that address each of the relevant topics for the assignment, and we often create score cards to help guide our clients through the interview process. The depth of our industry knowledge and experience enables the GF Parish Group to guide our clients through "what you should expect" overviews, leading to successful recruiting outcomes.