

Wider perspectives on the Covid crisis | Act III. *All change*

A thought piece, as a five-act play, on the outlook for the investment industry

Roger Urwin – January 2021



Act I.

Defining moments

Act II.

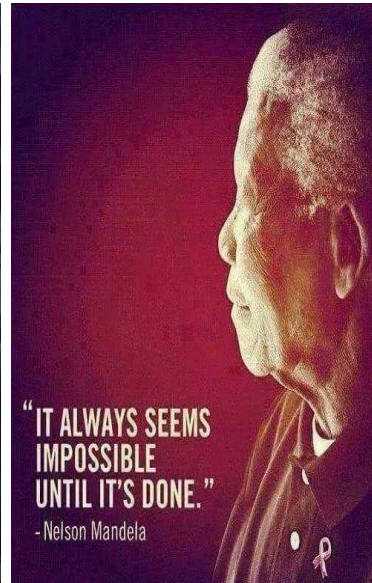
Climb to the new view

Act III. *All change*

- Life's a lot harder
- So is leadership
- Reorientation is needed

Act III.

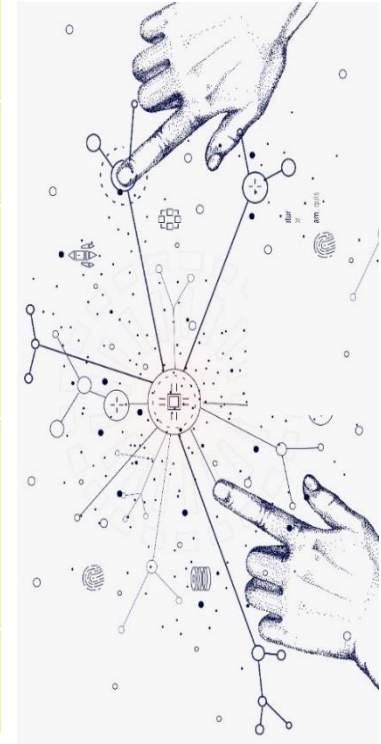
Innovation and change in are especially critical to move forward



Big picture - agenda and summary

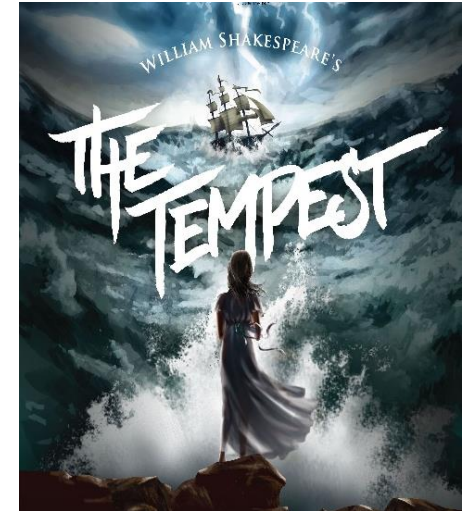
Reorientation needed	<ul style="list-style-type: none"> Reorientation is ‘the action of changing the <u>perspective</u> on or <u>direction</u> of something’
Innovation and change	<ul style="list-style-type: none"> The why, how, what of change, particularly transformational change Organisational combinations that connect dots and co-create value
Innovation needed for certain hard strands	<ul style="list-style-type: none"> The investment model opportunities are: Alternative assets fill a fixed-income shaped hole in the asset mix via a total portfolio strategy shift Benchmarks and data surge in a world of few absolutes where we need more relative positioning <p style="text-align: right;">} COVID boosted</p>
The soft strands need to be covered too	<ul style="list-style-type: none"> The people model opportunities in shaping culture are: Collaboration is reborn to charge up creativity and innovation, the industry’s lifeblood and moats The DEI* dynamic plus the WFA* model co-star in a nexus of soft stuff in a changing environment <p style="text-align: right;">} COVID boosted</p>
The soft and the hard interact	<ul style="list-style-type: none"> The ESG unstoppable train is picking up pace and in some cases is turbo-charged by climate change and is accelerating to net zero

* DEI=Diversity, equity and inclusion | WFA=Working from anywhere



Act I. Defining moments | Act II. Climb to the new view

The Covid-19 crisis will play long	<ul style="list-style-type: none">▪ Covid-19 ramifications are growing▪ Shakespeare plays generally have a five-act structure. The Covid-19 crisis may have a similar pattern
Act I. Three defining moments	<ul style="list-style-type: none">▪ January. Australian bushfires in January got us finally to stare at the complex truths in climate change▪ March. We realised that Covid-19 was truly deadly▪ May. The unlawful killing of George Floyd showed us how deeply scarred we are with racial injustice
Act II. Climb to the new view	<ul style="list-style-type: none">▪ Covid-19 has vividly reminded us of our interdependence and the interconnections of social, environmental and economic issues▪ Increased workplace attention to wellness and mental health and to T-shaped careers▪ There are some silver linings from the crisis in the workplace like the WFA/WFH model and D&I focus



“There are decades when nothing happens, there are weeks when decades happen.”

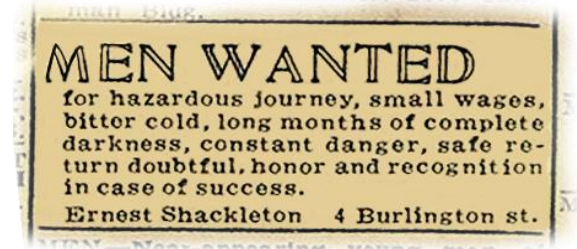
Act III. Life's a lot harder now

<p>Life seems particularly tough right now</p>	<ul style="list-style-type: none">▪ Life is really tough for many because so many of these Covid-generated issues are troubling us:<ol style="list-style-type: none">1. Feeling more stress than we previously did2. Worrying about our mental health (and for others)3. Worrying about the quality of our work connections4. Feeling that Covid has reduced our control5. Feeling fatigued▪ In Act III the silver-lining talk is big and for some of us it's big enough to shout down the worries
<p>Resilience and micro-resiliences</p>	<ul style="list-style-type: none">▪ Resilience comes particularly from acting on a number of small positive things – '<i>micro-resiliences</i>'▪ Daily habits, exercise hits, minor triumphs, connecting to what matters, 'paying-it-forward' = the response to a person's kindness to heap multiple kindnesses on others▪ Reorientation needed – perspective and direction▪ Opportunities for organisations to redefine boundaries



Act III. Leadership just got a lot harder too

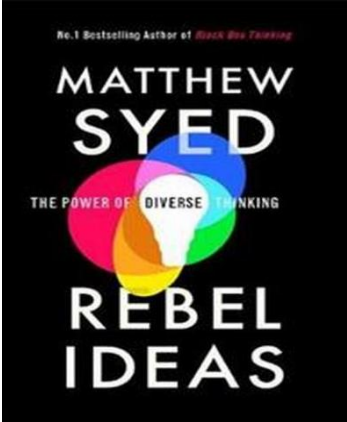
<p>Leadership ability</p> <p>Align strategy Develop potential Make connections</p>	<ul style="list-style-type: none">▪ Leadership has new expectations to carry, new narrative to deliver, new judgements to make▪ Tough decisions will be contested; need for clarity of context on goals and beliefs▪ Good judgement is challenged by increasing complexity and polarisation; and disruption on purpose, risk choices and relationships
<p>Leadership models</p> <p>Shackleton Merkel Ardern</p>	<ul style="list-style-type: none">▪ Communication and connection, requires humility and empathy▪ Innovation and agility under pressure▪ Team builder and coach▪ Mixing dominant and serving styles▪ Also emotional intelligence, forward thinking and situational fluency



Act III. Game-changers

‘*This time is different*’ are the four most dangerous words in investment

Change is, well, changing	<ul style="list-style-type: none">▪ The game-changers are landscape disruptions and people disruptors. Change can be by design or due to happenstance▪ There are increasing returns to managing complexity successfully given less ability to imagine the future▪ Opportunities from connectivity. Challenges from polarisation
Changing success patterns	<ul style="list-style-type: none">▪ Covid further compounds changes and uncertainty▪ New realities with success. Shifts from “things” to “ideas”; to markets with winner-takes-all and market-of-one▪ Changes to financial markets. Positioned as a transmission channel for, or an after-effect of, monetary policy
Is this time different?	<ul style="list-style-type: none">▪ It’s <i>never</i> different on our inherent behavioural biases and our reversion to old habits – individual and groups▪ It’s <i>always</i> different in terms of the state of the world and markets being uniquely complex and adaptable▪ It’s <i>more different</i> this time though because of the enormity of the game-changers



“History doesn’t repeat but it does rhyme.”

“You have to understand the past to recognize the differences in the present.”

Act III. Innovation and transformational change roadmap

A roadmap for change	<ul style="list-style-type: none">▪ Provides the system perspective and narrative through scenarios▪ Articulates the direction and vision of the intended system changes▪ Provides the way and means to make change happen▪ Has explicit measurements and milestones
Innovation structure	<ul style="list-style-type: none">▪ Calls for specialist roles and organisational design▪ Agility and adaptation to respond to changing conditions
Innovation culture and brand	<ul style="list-style-type: none">▪ Incentives - the degree to which innovation is rewarded▪ Time scales - the long time horizon is recognised and honoured▪ The innovation brand gives you rights and respect for your innovation to be listened to



Act III. Three ideas for producing transformational change

Strong scripting	<ul style="list-style-type: none">▪ The power of the vision statement▪ Say it seven times (power of repetition)▪ Think Larry Fink letters▪ But vision has to be grounded alongside sound narrative, enablers and milestones
Mission to explain and train	<ul style="list-style-type: none">▪ Program to build knowledge internally using wider expertise to cascade and build advocacy▪ Think AB + Columbia. Think Uber + HBS▪ <i>Project explain and train</i>. Produce trickledown
Structure and culture in innovation	<ul style="list-style-type: none">▪ Include skunkworks and cultural support▪ Think TAI + WTW▪ <i>Project skunkworks</i>. Disrupt yourself.



Slido polling

Covid period views.		All data is confidential. Data captured in Slido.com		Rate from 1 to 5	
		1/5	→	5/5	
1	How much have you benefited at work from Covid silver linings? (E.g. working from home, less travel, better inclusion, more flexible working)	Very little		Very much	
2	How much have you suffered at work from Covid dark clouds? (E.g. Zoom fatigue; missing the office feel and experience, informal work conversations and friendships, watercooler moments)	Very little		Very much	
3	How would you rate your physical health and well-being?	Very poor		Very good	
4	How would you rate your mental health and well-being?	Very poor		Very good	
5	How would you rate your current ability to be engaged /stay motivated? In your work context, given your life context	Very low		Very high	
6	How would you rate the level of stress you currently feel? In your work-life integration context combined	Very low		Very high	
7	How much have you benefited from your organisation's culture in the Covid period?	Very little		Very much	
8	How much have you benefited at work from others' appreciation of your personal situation in the Covid period?	Very little		Very much	
9	How much have you been able to maintain trust with colleagues and clients, inside and outside your organisation?	Very much less		Very much more	
10	How much have you been able to stay creative, innovative and connected <u>at work</u> ?	Very much less		Very much more	
11	How much confidence have you in the world emerging from Covid in better shape than when we entered it?	Very pessimistic		Very optimistic	
12	How much confidence have you in the world's problems with climate, inequality and polarisation being overcome?	Very pessimistic		Very optimistic	

Act III - All change – Zooming in closer



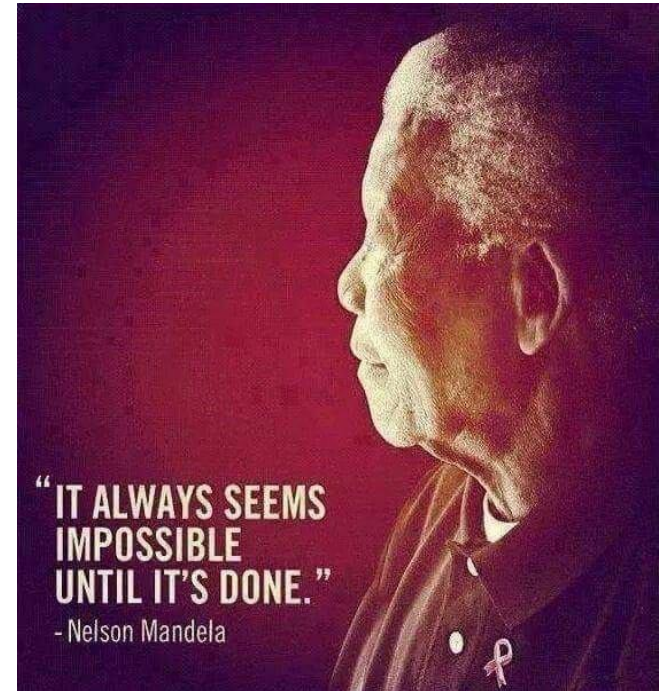
Zooming – in and out

Zooming in to <u>you</u> - the person in the centre	<ul style="list-style-type: none">▪ Systems theory tells us that <i>everything connects</i> and <i>behaviours matter</i>▪ The person is at the centre of a well-being, jobs, society, climate, environment, economics, politics ‘system’
Zooming in to our organisation	<ul style="list-style-type: none">▪ The organisation is rethinking its boundaries and exploring the opportunities for Covid silver linings via workplace attention to inclusion, wellness and mental health
Zooming out to our industry	<ul style="list-style-type: none">▪ The industry has to be constantly adapting to keep its relevance, and in times of bigger change there are pivots and resets needed
Zooming out to the wider system	<ul style="list-style-type: none">▪ The ecologically safe and socially just space in which people and technology flourish reflecting the spectrum of <i>controlling</i> – <i>bystanding</i> that we exist within



Acts I and II. The climb to the new view

- Uncertainties about our future have broken new ground. Not helped by issues of truth and fact
- This crisis has generated surges of anxiety, deep vulnerabilities and multiple tragedies. But the silver lining is that we are uncovering finer values, deeper talent and better truths
- Improvements in relationships and the emergence of stronger values are tapping into our inner heroes
- Think of all the resets, in families, in new support networks, and in the new respect for front-line workers. We are surprising ourselves
- The investment industry can find its resets too and play its part in wider societal and environmental resets
- Crises may be able to reveal better paths



Act III. The reorientation

The disruptions are massive	<ul style="list-style-type: none">▪ The 'disruption' is the shock to the system where nothing is the same again<ul style="list-style-type: none">• small locus of control and large rough justice• you fall into either disruptors or disrupted• where you fall relates to how you reorientate
Favour resilience over efficiency	<ul style="list-style-type: none">▪ Good reorientation involves designing in optionality or convexity whenever possible – limited downside, decent upside.
It simply isn't that simple	<ul style="list-style-type: none">▪ There are many moving parts to all choices - people are over-confident that they can see things and make their choices by applying only 2 or 3 factors
You need a script	<ul style="list-style-type: none">▪ Dealing with this complexity starts with simplification and socialisation



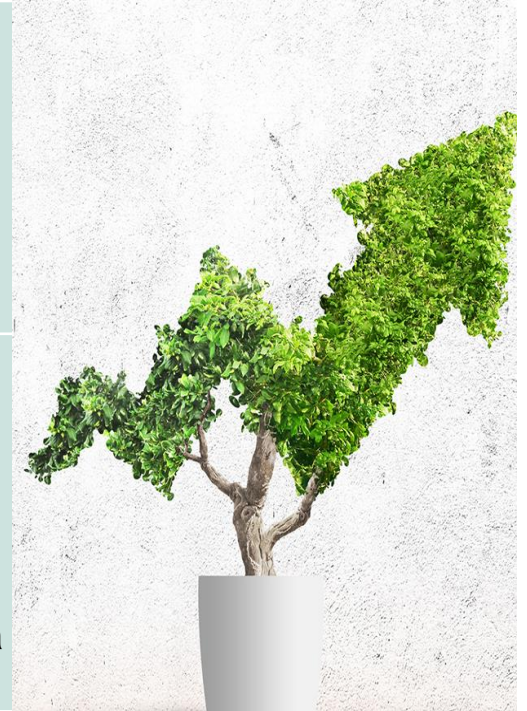
Act III. Understanding combinatorial power

New edge in combinatorial potential

- Value is created in the abstract combination of organisational and human capital
- agile navigation through various contexts
 - collaboration supported by strategic insight in context, ecosystem and seeing-the-future
 - communicate successfully at every level
 - working with brand value in a competition for ideas

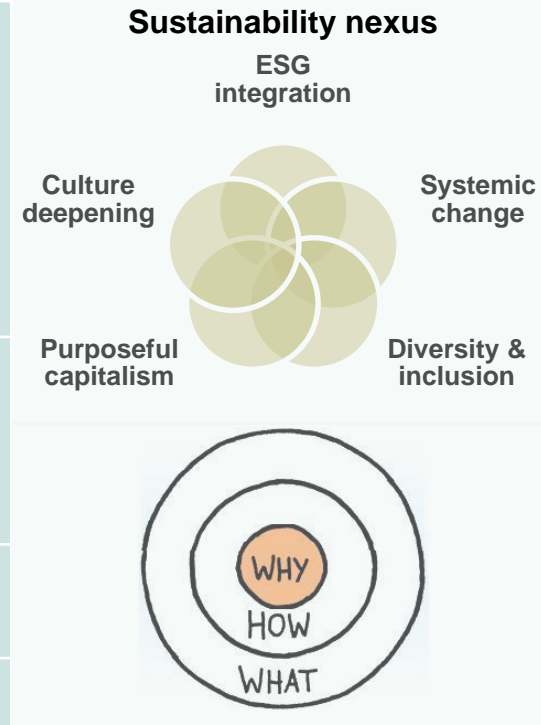
New value creation in ESG

- Connecting the dots on ESG - engagement with companies to more reliably imagine the future
 - delivery-on-purpose to client needs
 - with accountability for impact and footprint
 - offer a motivating employee value proposition
 - fairly compensate their investors
- Adding to alpha, and reducing systemic risk in beta
- ESG on the cusp of a transformational change



Act III. Game changing

<p>Why it's been so weak so far</p>	<ul style="list-style-type: none"> Investment organisations have been good with product innovation (small bets, fail fast), but poor with business model innovation (larger bets, succeed slow) The sustainability nexus is a burning platform big change issue Effective change always needs a powerful vision, coalition and process and very strong why, how, what
<p>Vision needs thought leadership</p>	<ul style="list-style-type: none"> Arresting – it draws people in, <i>strong why</i> Socialised – it is accessible, engaging, <i>strong how</i> Actioned – it is acted upon, <i>strong what</i> Eg indexation, target date, ETFs, OCIO, TPA, TPI
<p>Coalition</p>	<ul style="list-style-type: none"> Leadership alignment is not easy to secure but is critical to unlock the power of combination
<p>Process</p>	<ul style="list-style-type: none"> Vision-aligned, action-oriented, outcome-tuned roadmap



The 'hard' disruptions and innovations

Mandate transition trends are accelerating post-Covid

- Accelerating change, that has been super-charged by the ramifications of the Covid crisis
- Opportunities in improving scale and addressing needs, all redrawn following the Covid disruptions
- Multiple industry disruptions accelerated by Covid
 - Process and decision innovation rising up the agenda because of the ramifications of the Covid crisis
 - ESG and sustainability
 - Indexation/factors/solutions
 - Private markets
 - Total Portfolio Approach, OCIO, platforms
 - Transformational change in business models and people models
- Industry structure subject to disruption towards consolidation and fragmentation, outsourcing, collaboration and digitalisation; but new challengers not yet that significant
- Success the result of innovation, culture and resilience



Being T-shaped – the combinatorial opportunity

Systems thesis	<ul style="list-style-type: none">▪ Systems theory tells us that if we change one thing in the system we change everything – think butterfly effect – everything connects and behaviours matter – Covid-19 is a perfect example of this▪ The Covid year has revealed inherent systemic flaws in thinking and character – narrowness/silos; denialism/echo chambers and challenges from poor values
So what? The special merits of T-shaped people and T-shaped teams	<ul style="list-style-type: none">▪ T-shaped people ‘connect dots’ well. They are adept at reconciling deep-level knowledge and understanding in one field, discipline and in one organisation, with a wide perspective across many fields, disciplines and organisations▪ Becoming T-shaped is part talent and part training and development▪ T-shaped teams have broad and deep collective intelligence and harness the power of a one-team culture and the benefits of cognitive diversity
The story link	<ul style="list-style-type: none">▪ The best example of T-shapedness is the evolution of Silicon Valley▪ This worked because of a passion for combination – within and across organisations; within highly connected people; in well-connected organisations set up to collect and combine intelligence



The 'soft' stuff is the hard stuff

Culture significantly more prominent through the Covid period*



The importance of shared language and narrative in exploiting culture



Culture is not a respecter of excess. Too much of a good thing is bad



Good culture does more than anything else to guide faster, better decisions



Crises – like Covid - bring out the best in organisations' culture



Good culture tends to fade without sustained commitment

▪ **Culture and strategy**

- Culture has proved more important than strategy
- Has dependency on shared language and narrative and measurement
- Core cultural attributes compete for attention
- Culture and structure are holding innovation back

▪ **Culture and Covid**

- Culture has had more attention during Covid
- Culture is a powerful source of guiding decision-making into dispersed and de-centralised places
- Covid has accentuated culture's positive forces
- Covid has particularly emphasised merits in D&I

Leadership needs



1. Leadership role

Alignment of strategy, development of potential, motivation for execution



2. Communication and connection

Vision and values to the fore



3. Humility

Empathy and listening to produce shared goal combinations



4. Innovation

Judgement, creativity and courage are all critical



5. Coaching

To engage and co-create across generations and cultures

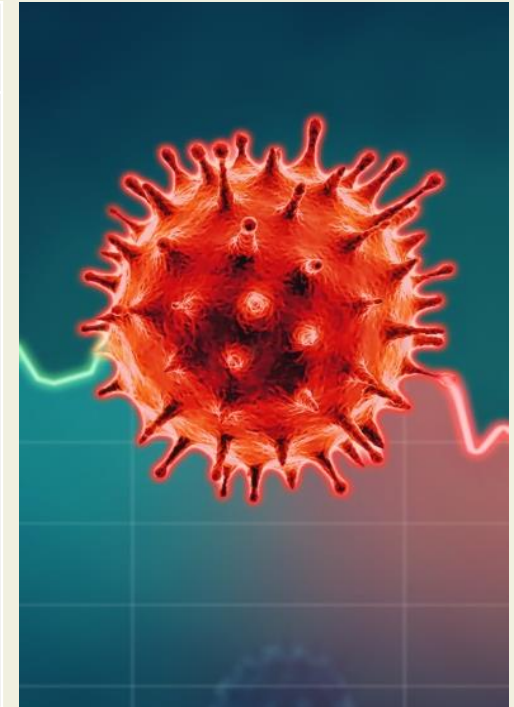


6. Leadership mindset

Commitment to emotional intelligence, forward thinking and system fluency

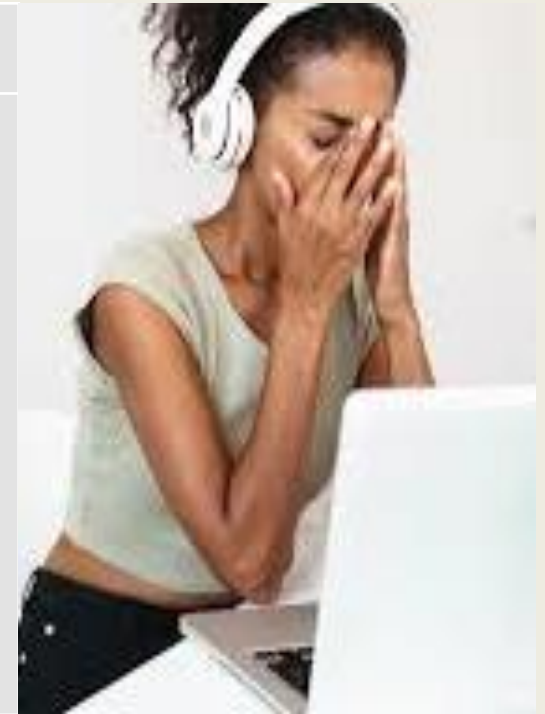
Covid issues

Disruptions of the present	Disruptions of the future
<ul style="list-style-type: none">• Organisational resilience – Covid disruption mediated by agility; there are several aspects - operational, risk and liquidity, second wave stress• Organisational coping – the testing of the WFH model, so far so good, but control environment issues• Seeing around corners – leaders who are alert to the disruptions and have sorted the rubric to re-do the strategy will emerge stronger• Social frustrations – urgency to better leadership, understanding employee needs, leveraging their ERGs, combating racism; and doing better with ESG, particularly S	<ul style="list-style-type: none">▪ ‘New normal’: the old disruption trends from the pre-Covid era are disrupted, acceleration, some alteration. New benchmarks for cultural and financial performance; workplace changes▪ A new disruption model: the need to design in resilience alongside efficiency; to build stronger culture and governance▪ Sustainability in investing : the AO mandate gets more complicated in ESG, the investment opportunities for AMs get more challenging▪ The ‘reorientation’ – investment firms should be more agile, diverse, and purposeful; the client relationships will be more virtual; trust will be different



Zoom meetings

Meeting challenges	Meeting opportunities
<p>Shorter tolerance. Fully engaged on-screen time is more tiring than physical meeting time. As ‘forty minutes’ is the new hour, the meeting design has to adapt to do more in less time</p> <p>Weaker commitment. Leaders are working on more things in parallel. The Covid experience is that the calendars of leaders are more open and yet more full than ever</p> <p>Less combination. More spider conversations, less crisscrossing. Getting virtual meetings into ‘flow’ and full creativity is hard but meeting design can help</p>	<p>More acceptance. We are cutting each other a lot more slack. We know that everyone is experiencing personal disruption (like choppy internet, etc)</p> <p>Better reciprocity. There are different ways to learn from each other by using the technology edge in virtual meetings, adapting process and content (eg chairing, materials, patterns, polls, pre-and post-experience, etc)</p> <p>Trust is different. There is a need to find new cues and clues in the build-up/maintenance of board member trust in each other. New cultural principles need to kick in to limit ‘trust fade’.</p>



Act III - All change – Zooming in even closer



Theory of innovation and change

Generalised innovation principles

- Combination of brand, structure, culture and process
- **Innovation brand** gives you rights and respect for your innovation to be listened to, particularly if trust is strong
- **Innovation structure** - whether roles and organisational design allow **innovation to flourish**.
- **Innovation culture** enables innovation to flourish
 - Incentives - the degree to which innovation is rewarded
 - Time scales - whether the long time horizon attaching to innovation is recognised and honoured
 - Judgement capacity - the quality of market-place insight is at the core of this in order to be fully realistic
- **Innovation process** – think agility. brand. cognitive diversity
- Adaptation: you need the ability to respond to changing external conditions with particular respect needed for continuing energy, scripting and socialising
- Goal attainment: you need the ability to define and pursue goals.
- Integration: ability to link the various elements of a system (cohesion) and to ensure cohesion (inclusion). With T-shaped people and teams helpful
- Brand – drawing on trust and track record
- Cognitive diversity – superior teams have edge in T-Shapedness, culture and process

Generalised change principles

- Effective change always needs a powerful vision that has a very strong why, how, what
 - Arresting – it draws people in, *strong why*
 - Socialised – it is accessible, engaging, *strong how*
 - Actioned – it is acted upon, *strong what*
- **Change processes** vary by degree of commitment: burning platform - good to great – Kaizen being the strongest three. All change processes have dependency on the quality of vision, leadership coalition and process
- **Emergence and reflexivity play critical roles** in the investing pathway. Outcomes will reflect the interplay of fundamentals and behaviours
- **Collaboration can create multiplier effects** but there are challenges in creating alignment. In particular, agency effects may complicate collective actions
- **Levels of uncertainty in sustainability are very high.** This includes radical uncertainty or unknown unknowns, soft, long horizon
- **A theory of change** articulates the intended changes for people, issues, and systems and makes explicit the connections and logic between goals, activities, accomplishments (short-term direct results) and outcomes (the longer-term shifts)

Investment model on the move

Mandates and methods	Sustainability and ESG
<ul style="list-style-type: none">▪ Covid-19 introduces many new uncertainties to the model▪ Mandate and process trends have been broadly favouring drivers which enhance edges and reduce pain points through<ul style="list-style-type: none">- more advanced technology- lighter governance- expectations for higher returns (with less concern on risk).▪ Mandate transitions – these drivers above have been present in the growth of index tracking, factors, private markets and solutions. Covid-19 is likely to accelerate these▪ Process transitions – these drivers above have been present in evolving these ways of doing things<ul style="list-style-type: none">- OCIO in which scale and specialisation gives AOs some streamlining benefits- Total portfolio approaches (TPA) where managing to a goal is preferred to managing to benchmarks- Index tracking and ETFs where the index embeds the strategyCovid-19 is likely to accelerate these too.▪ Satya Nadella of Microsoft said Covid jammed two years of digital development into two months. The digitalisation changes seem most likely in the near-term to improve the service and delivery model	<ul style="list-style-type: none">▪ The management of a third dimension in investing – the impact – is a massive change as big as any we've seen in the modern era▪ Then ESG. Our experiences through 2020 suggest that by taking a multi-stakeholder lens all our actions should be trained on greater sustainability▪ It is enlightened self-interest to step up the resourcing on sustainability, in the integration of ESG, strategic management of sustainability and connecting to the SDGs. We have been travelling in this direction. It is time to pick up pace on this▪ I think we can envisage some pretty big transitions. Can you imagine the time when:<ul style="list-style-type: none">- standards of ESG are consistent, greenwashing has departed- the standard portfolio index is integrated or tilted to ESG- standard reports are covering impact as much risk and return- standard strategies are built on risk-adjusted return integrating SDG contribution- advanced strategies integrate their impacts on the real-world using a total portfolio approach that puts every investment into a competition to optimise risk and return alongside impact

Leadership model in the spotlight

Decisions becoming more difficult

- **Leadership has new expectations to carry, new narrative to deliver and new judgements to make at a time when uncertainties have reached a new level**
- We should recognise how often decisions will not be clear-cut. Opinions will differ by reference to
 - the internal context (the 'scaffolding')– values, beliefs and goals
 - the external content (the 'bricks') – data and model, strands and time horizon
- Decisions have got more difficult through the current crisis with more complex situations, more uncertainty present and limited relevant data. This is a time to try to strengthen the coalitions supporting tough decisions with diverse counsel, dispassionate assessment and disciplined follow-through all important.
- Crises generally create conditions for more experiments to be run and more innovations to be put into practice.
- Innovation needs, in particularly, a strong leadership mindset with in particular:
 - Pro-active mindset; and agile structure for creative ideas
 - Measurement mindset around judgement and patience
 - Marketplace/ownership mindset attuned to the needs and pain points that will frame demand

Inclusion becoming more critical

- In a crisis, we watch leaders closely and place over-emphasis on their communications. We want both to be listened to and to be led
- In response, leaders should consciously overcommunicate, but making the tone authentic and personal, **with honesty about the present, and reasoned positivity about the future**
- **In a world of changing zeitgeist with millennials a bigger part of the mix the business case to treat the workforce with much deeper respect has become much stronger.**
- The vital signs around diversity need for it to be at least 'safe', and at best 'cherished' but the bad news has revealed how unsafe black lives have been.
- The better news is that industry leaders have tuned into this subject, and publicly said how unjust things have been, have committed to act with urgency to make diversity cherished
- Three prime opportunities to work on
 - Organisational purpose and identity re-sets – a new social contract
 - New ways to support and re-establish trust
 - Urgent attention to the sustainability nexus that links purpose, D&I progress and ESG

Disruption in organisations and societies

Organisations are being disrupted

1. Health and wellness

- Re-prioritisation of health, wellness and balanced lifestyle
- Increasing awareness and demand for healthy life and good nutrition as well as health safety and access to quality medical care

2. Stakeholder orientation

- Increased awareness and demand for more managed globalisation and inclusion of social responsibility
- Social contracts with focus on inclusion and tackling inequalities

3. Digital transformation and 'servicisation' trend

- Acceleration of digital transformation, contact-free, and "AAS" trends
- Remote working, distance learning, online media content, telemedicine and ecommerce

4. Climate change and sustainable economy

- COVID is accelerating the change in consumption behaviour and support for a cleaner economy and for environmental responsibility

5. Space

- Impacts on public transport, mass-gathering activities, contact-free economy and global urbanisation trends
- New social attitudes of physical distancing and facemask wearing

6. Supply chain

- New imperative for resilient and diversified supply chains with diversification of the supply chain and potential re-localization

See HSBC Global Asset Management

Society is being disrupted

1. Health and pandemics

- Dealing with this and future pandemics, given zoonotic factors and stresses
- Healthcare facing increasing pressures from aging populations

2. Geo-politics

- Continuing issues from the rise of authoritarian, populist, nationalistic governments
- Movement to increased regionalisation with tri-polar system – US, China, Europe

3. Big government

- The return of bigger government, with bigger deficits to manage, bigger taxes to raise, and bigger agendas to push

4. Monetary/fiscal

- The implications of lower rates for longer, much longer. This includes the effect on markets that are significantly affected by monetary transmission

5. Commons

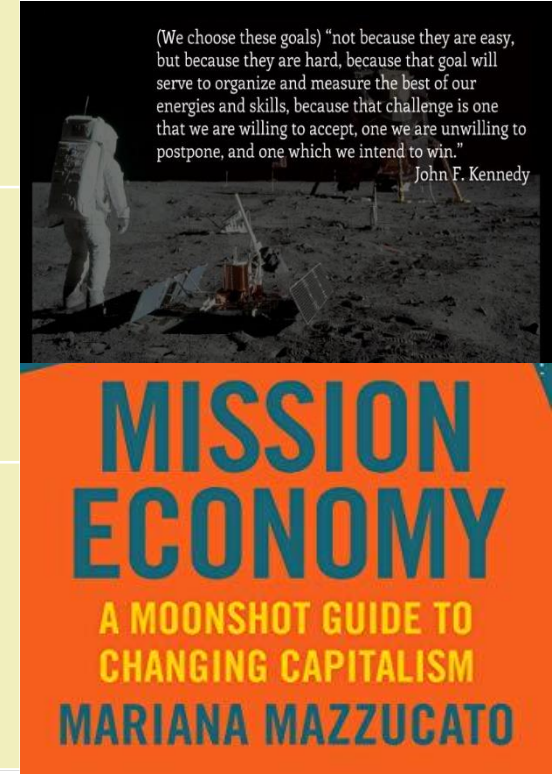
- The management of global public goods in the environment and the climate

6. Parallel worlds






- Increased polarisation. Segments of society are increasingly polarised, with social media, and populism playing its part in societal discord

Crises converging

Multiple crises	<ul style="list-style-type: none">▪ We are living in an era of multiple crises on top of Covid-19:<ul style="list-style-type: none">▪ economic disappointment and societal polarisation▪ democratic legitimacy and of international geopolitics▪ global governance and a global commons in managing climate▪ Crises that converge can compound and produce multiplier problems
Reset responses using collaboration	<ul style="list-style-type: none">▪ Covid produces some chances for resets in these crisis areas. These, like Moonshots, may present ways to transform the upside and downside of these situations▪ Influential players working together are best able to catalyse these opportunities – think corporations, asset managers, asset owners and a collaboration model likely to involve third state organisations like PRI and ClimateAction100+. The 4321 pin code in which more can be achieved by collaboration and soft power on the climate elephant
The role of the industry and the asset owner	<ul style="list-style-type: none">▪ Are these crises ones that asset owners should have ambitions to contribute positively to? The question relates to purpose, fiduciary responsibility and license to operate▪ This is particularly resonant on AO100 change the world▪ How the investment industry adapts, maybe pivots and even in some cases transforms itself to be hyper-relevant and valuable in a changing world. It will take some repurposing▪ The rallying point of Paris alignment, the ratcheting, the longer term managed and governed environment



Five things to watch out for in the investment industry in 2021

	The big idea	Collateral issues
 Alternatives	<p>Alternative assets fill a fixed-income shaped hole in the asset mix via a shift that holistically pivots to the total portfolio strategy</p>	<p>The investment macro is being twisted and, tortured by the impacts of extraordinary monetary policies with investment markets positioned as a transmission channel for, and an after-effect of, monetary policy. The implications of this for the industry are multiple – for investment strategy, the sustainability of long-term investment institutions and the wider societal implications of the role of investing and investment professionals.</p>
 Benchmarks	<p>Benchmarks and data surge in a world of few absolutes. This supports better understanding of relative positioning and best practice</p>	<p>The market has had decades of developing disciplines in financial reporting; but only one decade of this development in non-financial reporting. There is huge scope for reporting and investing standards to become better disciplined, consistent and valuable but it will take a highly co-ordinated effort by the large global industry bodies, and stronger disciplines in organisations' reporting and accountability.</p>
 Collaboration	<p>Collaboration is grown and adds to creativity and innovation, the industry's lifeblood and moats, helped by 'co-opetition'</p>	<p>Our industry has many organisational players. For the industry to progress successfully – meeting the needs of suppliers and providers of investment – these organisations need strong global organisations that act as convenors and coordinators and facilitate collaboration, particularly through using stronger disciplines to capture returns to scale in their active ownership and other strategies.</p>
 Diversity	<p>The DEI dynamic plus the WFA model co-star in a nexus of soft considerations that are steadily transforming the corporate environment</p>	<p>The world of work is changing and its evolving state will change in its context - technology, flexible work (WFA – working from anywhere) , workplace design, employee wellness, diversity, equity & inclusion (DEI); and in its content – the specialised versus the routine; the team context versus individual; the trust-constrained situations versus trust-optimised; agile process versus rote process; empowered roles versus hierarchical.</p>
 ESG	<p>The 'ESG unstoppable train' is picking up pace and in some case is being turbo-charged by climate change and accelerating to net zero</p>	<p>The investment world is undergoing a paradigm shift in extending from the two-dimensional model (risk and return) to a three-dimensional one (risk, return and impact); from a risk return optimisation paradigm to the dual organising principles around return optimising and sustainability alignment; from the narrow precepts of market fundamentalism, MPT and a market context to systems-theory, multi-stakeholders and a society context.</p>

T-Shaped polling

T shaped mindset – intrinsic and developed	Yes	Yes /No	No
I prefer to know a little about a lot of things rather than a lot about a few			
I am good at a number of things rather than distinctively good at just one thing			
I like to make significant changes in my life from time to time			
I naturally fit into new environments and situations			
I get energy from things that are new and unfamiliar to me			
I pursue a lot of personal interests outside of work			
I do my best work when I am outside my comfort zone			
I like visiting new countries and understanding different cultures			
I like to read widely on a range of topics			
I learn quickly when I am dealing with an unfamiliar topic			

T shaped skillset – people and ideas	Yes	Yes /No	No
I connect well other people			
I am open in sharing my views with others			
I am good at listening to others			
I am enthusiastic about working in diverse teams			
I am good at reading people and understanding their viewpoints			
I am comfortable working with people who work in other fields			
I think of myself as a natural innovator – both professionally and personally			
I am good at pattern recognition and making connections			
I understand ripple effects, where one thing leads to another			
I understand reflexivity, that people affect and are affected by the fundamentals of the ecosystems they function in			

- T-shaped people ‘connect dots’ well. They are adept at reconciling deep-level knowledge and understanding in one field, discipline and in one organisation, with a wide perspective across many fields, disciplines and organisations
- Becoming T-shaped is part talent and part training and development
- T-shaped teams have broad and deep collective intelligence and harness the power of a one-team culture and the benefits of cognitive diversity

Adapted from *The Mosaic Principle* by Nick Lovegrove

Limitations of reliance and contact details

Limitations of reliance – Thinking Ahead Group 2.0

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Contact Details

Roger Urwin | roger.urwin@willistowerswatson.com