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People Feature: Dangers of training employees to see them leave

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Many fund houses nurture their most talented employees through business school courses or industry accreditations with the expectation they will progress to a senior managerial role in the company.

But companies may also worry that their best executives will become more attractive to competitors and even more difficult to retain.

"A CFO says to a CEO…"

Nick Pollard, CFA Institute

Nick Pollard, Hong Kong-based managing director for Asia Pacific at CFA Institute, dissects the dilemma with one of the most overused LinkedIn clichés.

"A CFO says to a CEO, what happens if we invest in these people for their training and they leave? And the CEO responds, what happens if we don't invest in them and they stay?"

The conversation reveals a pertinent truth: investing in employees is like investing in any financial asset. You cannot expect a good return without actually taking on certain risks.

However, Pollard argues that, despite this, educating the workforce through business schools, qualifications, professional accreditation or leadership training, is the "only and obvious" way to make sure a company develops a competitive advantage.

He also points to measures some companies take to reduce the risks of an employee moving to a competitor after benefiting from a company-funded MBA or professional qualification.

There are cases where an employee signs an agreement with their employer that, if they leave the firm within a certain period of time after completing the qualification, the employee has to repay all previous training or tuition fees.

Pollard argues that investing in staff will not only help to engage other employees but also will retain people and attract external talent who want to be developed.

The company itself can also gain a good reputation by looking out for its best talent, he says.


Stephanie Villemagne, Chinese University of Hong Kong

Stephanie Villemagne, Hong Kong-based associate dean of graduate studies and director of MBA programmes at The Chinese University of Hong Kong (CUHK) Business School, says concerns around talent retention are justified, as fund houses are in strong competition for talent with other industries, such as consulting, wealth management, and investment banks.

When compared to the fund industry, companies in these industries tend to offer better training and development models for business professionals and provide clearer career paths, says Villemagne.

So it’s a risk worth taking for fund companies to try to develop their own talent pool, she adds.

Costs and alternatives

On the other side of the debate, there is a question of whether a CFA charter holder, who has been well trained in the business of investment management and has experience in the industry, needs to go to business school before being trusted with the responsibilities of managing a company.

It is also the case that business school qualifications are very expensive and require a long-term commitment.

Though the budget for studying in business schools in Asia is comparatively lower than that in the U.S., one still needs to pay for US$100,000 to US$120,000 to complete the courses offered in a city like Hong Kong, according to Villemagne.

Fund companies looking at other options to nurture their employees could choose the more cost-effective approach of providing internal training to their staff to cover leadership, people management, strategic planning and advanced communication.

Villemagne argues that, although most investment management professionals will have studied relevant courses and received technical training before they commence their career, their existing skill sets are not normally sufficient for managerial roles.

Most junior staff in the fund industry start in more technical or functional roles, most likely as research analysts or junior traders, and already possess the required technical skills for the job, such as basic equities research, algorithm trading and financial analysis, she says.

Nonetheless, before too long, young professionals also need to develop a different set of soft, less technical skills in preparation for more senior level responsibilities. In taking on new demanding roles in risk management, institutional sales, client relationship management, long-term strategies, or complex geopolitical analysis, their all-round abilities will directly affect the firm’s long-term performance.

Villemagne adds that this is where the business school training could benefit in developing critical thinking and help prepare professionals to take on roles in strategy, leadership and corporate development.

Complementary benefits

CFA Institute's Pollard says both an MBA and a CFA have an important role to play in the education of essential qualities of company leaders, including leadership, communication skills and strategic planning. The two qualifications can complement each other rather than directly compete with each other, he says. The CFA programme can provide a level of depth and understanding to a fund industry professional, says Pollard, not only in terms of technical issues but also in respect of ethics and integrity.

Meanwhile, as an individual aims to progress to the management level, whether it is in the investment management industry or not, an MBA degree could help in that context, he says.

Pollard believes that the ideal blend of qualifications for a leader in the investment management industry is someone who is not only a CFA charter holder but also a holder of an MBA degree.

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