The Culture of Finance

Abstract. Critics of the global financial services industry contend that it serves only the interests of traders and large institutions. Implied is a culture of finance embodying shared industry norms and conventions - a ruling ethic that trumps more desirable modes of behaviour. There is some truth to this claim: there are a set of norms and conventions that govern the relationships between the buy side and the sell side of the market. But the industry is not a homogeneous whole: it is characterised by functional, geographical and organisational diversity. These points are developed through a systematic mapping of the industry, focusing upon the ecology and morphology of finance. To the extent that there is a culture of finance, it reflects the lack of incentives on the buy side of the market to effectively govern relationships with service providers and employees. The paper closes with a set of examples of innovation in industry norms and conventions.

Keywords. Culture, finance, organisational diversity, spatial morphology

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Introduction

The culture of finance is the stuff of books, plays and films, as in Belfort’s (2007) The Wolf of Wall Street and Lewis’s (2011) The Big Short. The concept is used to represent Wall Street and the City of London after deregulation and during the global financial crisis, wherein long-term relationships and trust in other market participants apparently gave way to uninhibited self-seeking behaviour. Luyendijk’s (2015) anthropological take on the City of London after the global financial crisis has reinforced perceptions of an industry out of control. Yet he does something different and important: while providing evidence of a pervasive culture of amorality in major financial institutions, he also indicates that these types of organisations seem to lack the appetite or the capacity to manage the behaviour of their employees.

The culture of finance is also on the academic agenda (Lo 2016; Zingales 2015). The erosion of the values held integral to relationships reliant upon mutual benefit and reciprocity is believed to be evident in the costs to the ‘real’ economy of financial instability (Haldane 2014). Critics of finance also suggest that the industry is something of a pariah in promoting a form of amorality not found in wider society (Morris and Vines 2015). Those sharing this opinion tend to be advocates of re-invigorated notions of ethical norms that appeal to a ‘golden-rule’ for behavior that discounts self-interest in favor of society (Clark 2014a). Is finance so different from other segments of society? Some ethical theorists believe that the erosion of virtue is endemic to modern society, and is the result of locating morality with individuals rather than society (MacIntyre 1981).

Here, it is argued focus upon the individual sidesteps the fact that the vast majority of participants in the industry are the employees of companies (e.g. asset managers) and institutions (e.g. asset owner) (Axelson and Bond 2015; Stambaugh 2014). In this paper, it is suggested that the proper focus of any study of the culture of finance is on the relationships between institutions and between employees and their employers rather than individuals. I do not share the assumption evident in
much of the literature that so-called sophisticated institutional investors are fundamentally different and/or more effective than individual traders (see Shleifer and Summers 1990; Scheinkman 2014). It has been convenient for some to label those employees found to have violated community norms as ‘rogues’, thereby discounting any suggestion that their behavior is representative of their employers or the industry (Clark 1997). My focus is upon why aberrant behaviour is rewarded or tolerated in some segments of the global financial services industry but not in others. By contrast,

The paper proceeds in the following manner. First, an analytical model is presented so as to better understand the co-existence of different kinds of financial agents and organisations in the industry. Initially, the model is conceived without reference to time (risk and uncertainty) or space (being co-located or not with a global financial centre). This allows for an elaboration of Hart and Moore’s (2008) model of the firm, where compensation depends upon internal factors related to task and performance, and external factors including fairness with respect to similarly-placed individuals in other organisations. Thereafter time and space re-enter the analysis, demonstrating that the costs and consequences of being embedded is specific to the ecology of finance; see generally Taylor and Asheim (2001) and Maskell (2015). Second, the argument of the paper is developed by reference to the fact that individual and organisational performance is only known ex-post, notwithstanding ex-ante commitment. Third, it is shown that location matters: the ‘power’ of norms and conventions depend upon the local instantiation of the industry and its relationship with global financial centres located near and far from their home site (Clark 2016).

In terms of exposition, the paper does not report new empirical findings, data or case studies. It is designed to be conceptual eschewing the details of specific cases and places in the interests of presenting an analytical framework. As such, it is a theoretical contribution to economic geography and management studies.
The Life of Organizations

The paper proceeds via principles and ideal-types rather than reporting on the findings from fieldwork and ethnographic studies of organisational behaviour (see Jarzabkowski et al. 2015). In part, this reflects the value of conceptualising the organisational ecology of the financial services industry (Haldane and May 2011). There are many insightful and empirically-founded studies of the industry, including those that provide information on sector-specific employment practices (Beaverstock 2004, Faulconbridge 2009) and their spatial manifestations (Dörry 2015). At the same time, analytical progress has not always kept pace with commentary in economics and finance on the status of finance in modern societies as well as the political debate over income inequality (Pitketty 2014). It would seem the legitimacy of the academic discipline of finance is in play (Zingales 2015), along with the capacity of the discipline to translate models of markets, organisations and behaviour into the world at large (Lo 2016). There is a symbiotic relationship between analytical frameworks, empirical research, and the practice of theory-building (see Bengelsdijk et al. 2010).

Here, inside knowledge of financial institutions is used to provide an analytical framework through which to understand the nature and scope of the culture of finance. By ‘inside knowledge’ I mean the information and knowledge gleaned from field work, active participation in the organizations and institutions of the industry, and recognition of the responsibilities and predicaments faced by senior managers when seeking to realize the goals and objectives of their organizations. In some sectors, the form and functions of the various market participants are settled; indeed, the ecology and morphology of these industries are at equilibrium. Over the past two decades, recurrent financial and economic crises have challenged the inherited pecking-order of organizations and institutions in the industry at the global, national, and regional levels. At the same time, the conventional theory and practice of investment management has been found wanting (Lo 2016). This paper is part of a larger project aimed at articulating the organizational principles underpinning adaptation and innovation in the global investment management industry (Clark and Monk 2017).
Any inside perspective must also be sensitive to how the industry manages itself. There are various ways of representing the industry self-governance. Given my interest in organizations and behavior, in this paper the issue of ‘culture’ is framed, in part, by reference to industry norms and conventions, where ‘norms’ refer to expectations as to the nature and scope of acceptable behaviour and ‘conventions’ refer to the practices of the industry (Brennan et al. 2014, 17, 20–21, 100–102).¹ My approach ‘grounds’ the idea of a shared culture in the financial services industry even if government regulators have found it problematic when attempting to define, measure and enforce codes of practice in the financial industry. Too often industry culture is defined by reference to undesirable outcomes rather than organising principles. Witness the announcement in December 2015 that the UK Financial Conduct Authority (FCA) had abandoned its inquiry into the culture of UK financial institutions. It appears the FCA had found it difficult to frame a work-program on the issue.

In any event, it is suggested here that the behaviour of one type of person (traders) in a specific type of organisation (broker and/or investment bank) is too often used to represent all financial agents and organisations. The ecology of finance is truncated, whereas analysts should also consider the diversity of organisations and their employment practices across the industry and across markets. Different sorts of financial agents (by task and function) and different types of organisations (by purpose and legal form) coexist with one-another. In some instances, ‘difference’ is subsumed by complementarity (Clark 2002). In other cases, ‘difference’ cuts against the generality of industry norms and conventions. It is also observed that some financial agents and organisations deliberately locate themselves outside of the norms and conventions of the industry, fostering internal standards of behaviour so as to trump industry standards of behaviour.

¹/ This is, perhaps, a rather narrow version of culture. Nonetheless, Dodd (2015, 272) makes a similar move when he acknowledges that “defining culture is, of course, not easy” and then suggests a “baseline” definition which is “shared meanings, and our representation of them”. This is consistent with norms and conventions, albeit based upon a constructivist notion of the formation of rules.
Here, I refer to the Anglo-American investment management industry rather than banks and insurance companies and the institutional structure that sustains these types of organizations. In part, this represents the focus of our research program (see Clark and Monk 2017). The ecology and morphology of this industry has been neglected, notwithstanding its significance in terms of its share of global financial assets. Furthermore, it would appear that commentaries on the culture of the global financial services industry often tend to conflate banks with asset managers, and asset managers with asset owners. It is apparent, however, that the culture of finance implicates a wide range of institutions and organizations in the industry. This issue is considered in detail in the second half of the paper.

Building Blocks

To analyse the structure and performance of the finance industry, we begin with the key concepts that underpin the global financial services industry and set it apart from other service-sector industries. Three issues are emphasized: the organisations of the industry, the process whereby investment returns are produced, and the environment in which the industry functions and organisations flourish (or not). The industry is shown to be distinctive if not unique.

Organisations

The financial industry is built upon three types of organisations. The first is asset holders, including those organisations that represent beneficiaries and have a legal entitlement to assets under management (for example, pension funds and sovereign wealth funds) as well as those organisations that provide investment services (for example, asset management companies) (Davis and Steil 2001). These organisations are joined together in the pursuit of risk-adjusted rates of return on assets under management (Clark and Monk 2017). These organisations can have different legal forms and status depending upon their ‘home’ jurisdictions.
The second organisation is the financial market or markets. Financial markets can be public and private. In public markets, entry and exit is limited only by the capacity of an organisation to meet the formal and informal conditions required for transacting in these markets. In private markets, however, entry and exit is determined by organisations that have the power to set terms and conditions as regards the placement of assets, any entitlements that come with those placements, and any commitments or obligations to the lead organisations and/or partner organisations. In one sense, financial markets are owned, being limited in number and in their locations (Wójcik 2010, 2011). In another sense, financial markets are continuous and virtually unbounded that when linked together trading can take place almost every minute of every day across the world (O’Brien 1992).

The third type of organisation underpinning the global financial services industry is government and government regulation. As indicated above, different types of asset holders have certain legal privileges and obligations. How they go about realising their objectives (risk-adjusted rates of return on assets under management) is also subject to government regulation, including standards of behaviour such as fiduciary duty. This is also true of financial markets. In the past, governments required asset holders to invest in certain types of securities and, in some cases, according to fixed proportions. These types of regulations were largely discarded through the 1980s and 1990s. Nonetheless, the map of government regulation affecting asset holders and financial markets is highly differentiated as are the modes of regulation (La Porta et al. 1998; Wainwright 2011).

*Producing returns*

A large volume of assets allows these organisations to spread the costs of infrastructure provision and the management of the investment process. A relatively small volume of assets under management either increases the costs of provision and/or forces the organisation concerned to limit the scope and nature of their investments. So, for example, a large volume of assets under management can allow for a diverse, actively managed global investment portfolio, whereas a
relatively small volume could force the organisation to rely upon third-party global index funds. There are, however, diseconomies of scale at a certain size (Coase 1937): organisational complexity tends to discount the capacity of managers to realise their objectives (Clark and Monk 2017).

Fundamental to the production of risk-adjusted rates of return are the skills and expertise of employees and the employees of service providers that either operate with or collaborate with investment organisations (Axelson and Bond 2015). Skills and expertise are domain-specific, such that the overlap between asset classes and styles of investment may be relatively limited or, more likely, come at a price (under-performance). Whereas it was once possible to talk about ‘reading the market,’ via networks of informants, analytical and quantitative skills have become essential in framing and executing investment strategies. Likewise, expertise—judgement and experience—is a crucial element in sustaining investment performance in the context of market risk and uncertainty (Clark 2014b). This means, of course, successful employees can exact high rents on their skills and expertise.

For many years, outsourcing was the conventional way in which asset owners managed the production process. Asset owners relied upon the market for financial services and for the component parts of the production process. In many cases, asset owners used consultants to assemble and coordinate external providers toward realising their return objectives. However, large asset owners have begun to in-source production so as to reap the benefits of scale and the benefits of employment contracts as opposed to service contracts. Disintermediation and selected re-intermediation are responses to the costs of the culture of finance (Clark and Monk 2017).

Time and space

The production of investment returns is set to targets to be realised at some time in the future. Given a track record, it is possible to anticipate the risks associated with setting a rate of return
target over a specific period. Asset holders do not control the immediate environment in which the production process takes place, nor do they control public and private financial markets (although they might seek to do so). These markets are subject to the unanticipated behaviour of other market participants and exogenous shocks that disturb the market expectations of all participants. In this respect, asset holders commit resources to a planned rate of return target (ex-ante) knowing that realisation of that rate of return target (ex-post) is subject to risk and uncertainty (Litterman 2004).

Asset holders can be co-located with the financial markets through which they invest; for example, being located in London alongside the London Stock Exchange and the many public and private opportunities for investment offered by London-based investment organisations. Alternatively, asset holders can be located at some distance from the financial markets through which they invest (Dixon and Monk 2014). In these circumstances, asset holders rely upon the communication and electronic networks that link their sites with those markets. This may be unproblematic, but may be difficult if market information is expensive to obtain. Market pricing need not reflect the available information, and can be systematically skewed in unobserved ways due to the existence of other financial agents and/or organisations able to realise their interests over others. In many cases, being geographically close to the market is advantageous (Alevy et al. 2007), notwithstanding the effects of overlapping expectations and portfolio construction (Pool et al. 2015).

Ecology of Finance

One way of understanding the structure and performance of industries is through an appreciation of the genesis, nature and diversity of their constituent organisations (Padgett and Powell 2012). Early on, Hannan and Freeman (1989) were critical of analysts who treated organisations as self-contained entities without regard to their internal and external relationships. Hannan and Freeman’s approach to the study of organisations built upon work by March and Simon (1958), Cyert and March (1963), and others who have followed this same line of inquiry. In this paper, the focus is less about the
emergence of the financial services industry (see Clark 2000), than it is upon the organizational diversity of the industry and the strategic response of market agents to the costs and consequences of their location in the industry pecking-order.

Organisational Diversity

In the previous section, it was suggested that there are two basic types of asset holders (owners and managers), and that organisations can be differentiated from one another according to size (assets under management). Furthermore, it was noted that these organisations are subject to government regulation—it is meaningful to suggest that asset holders have a ‘national’ identity, although they may well operate across the globe (Huberman 2001). It is notable that the largest asset owners operate from a home base, but may do so through offshore offices and intermediaries. The largest asset managers have extensive operations around the world. A number of asset owners are outside of major financial centres and operate through spatially extensive networks (Dixon and Monk 2014).

The larger asset owners have a choice of how they produce target rates of return. One option is to outsource the production of returns through contracts with service providers selected in accordance with the strategic and operational needs of the host organisations. In the past, outsourcing has been accompanied by a governance model that utilised multiple providers using the threat of termination to impose discipline on those providers. An alternative is to in-source the production of returns through employment contracts, thereby governing the production process with a management system designed to economise on duplication, assuming senior managers are able to exercise control over their employees. Yet another option is a combination of in-sourcing and outsourcing.

\(^2\) The distinction between asset managers and asset owners is maintained throughout the paper, representing common practice in the industry and in academic research (Clark 2000). It is arguable that some asset holders are both asset managers and asset owners – in some jurisdictions, insurance can be on both sides of the market. Nonetheless, in many jurisdictions it is difficult to be on both sides of the market in that differences in legal obligations, differences in cultural norms and conventions, and differences in the provision of financial services conspire to ensure differences in corporate form.
The asset management industry is dominated by a handful of very large companies (Bongini et al. 2015). These are full-service organisations that provide a broad spectrum of investment services, asset classes, and styles of investment. These companies are global, bringing together clients from around the world with investment services in public and private markets. There are also mid-sized investment companies that are important providers of investment services even if their scope, in terms of services and geographical reach, is more limited and often based upon national and macro-regions (for example, Europe and the Middle East, North America, and East Asia). Finally, there are many small asset management companies offering specialised investment options inside and outside public markets. The share of assets under management of small asset management companies is far smaller than might be expected, relative to the number of those smaller companies (Clark 2016).

**Relationships and market position**

Given the importance of size and jurisdiction for these organisations, they could be treated as separate and different. To do so would underestimate the ways in which these organisations relate to one another and the ways in which these relationships are fostered in specific financial centres. Large and small asset holders complement, compete, and, in some cases, collaborate with one another. It is not uncommon for small asset managers to pick-up clients that large asset managers are either not willing or are unable to provide with a level of service demanded by clients. Large asset managers tend to be weak in terms of innovation, and pass on clients that seek services that fall outside conventional ways of producing investment returns. Small asset managers thrive in those areas of the market in which large asset managers are unwilling or unable to effectively operate.

At another level, all asset holders compete with one another in the production of their rates of return. In a rising market, this competition need not be a zero-sum game: asset owners and asset managers alike benefit from asset appreciation. In a falling market, however, successful asset managers may be able to attract disenchanted asset owners from those providers unable to stem
losses and/or meet target rates of return. In betting on the expected path of financial markets, asset managers offer potential clients the option to switch, so as to realise ‘out-performance.’ Given scale economies, inflows of assets sustain the scope and price-competitiveness of well-managed asset managers. Equally, outflows of assets undercut the scope and performance of poorly managed asset managers. Few asset owners are subject to the short-term rewards and penalties of (relative) performance that drive competition amongst asset managers.

In some cases, asset owners are collaborators, eschewing competition for long-term relationships between similarly placed organisations. Mutual benefit has proven to be a vital element in sustaining collaboration, even if the level of benefit varies by the type of organisation. Underwriting complementarity, competition, and collaboration are the skills and expertise of the various organisations involved in these relationships. So, for example, competition between asset managers comes in the form of competition for the skills and expertise of the highest performing portfolio managers. Small asset managers may persist, notwithstanding competition from large asset managers, because they are able to offer talented portfolio managers ‘skin-in-the-game’ not just performance-based salaries.

**Hierarchies as pecking orders**

Implicit in our discussion of the ecology of the global financial services industry is the existence of hierarchies—referencing the size of organizations, the nature and scope of offered services, the skills and expertise of investment managers, and the relationships between financial organizations. Hannan and Freeman (1989), Rajan and Zingales (2001), and Williamson (1975) amongst others note that senior managers typically rely upon a hierarchical distribution of powers and resources within their organizations so as to control activities and functions. Hierarchies in the global financial services industry should also be understood as pecking orders—the opportunities and privileges that accrue to high-order organizations or over low-order or less endowed organizations.
Once established, pecking orders reduce conflict and, at the limit, privilege those organisations that have the best chance of success. Organisations that observe industry pecking order may also be able to form alliances. In these ways, stability and mutual benefit (if not equal benefit) dampen competition and are the basis for co-dependence and cooperation. Related reasoning is found in microeconomics (Bowles 2005), corporate finance (Myers and Majluf 1984), and economic geography (Glückler 2010 and Schamp 2010). While the concept is meaningful in terms of the hierarchical order of organisations in the global financial services industry, in the next section it is suggested that the adaptive capacity of organisations is not necessarily limited by their place in the industry pecking order. Senior managers may well situate their organisations outside of dominant norms and conventions so as to enhance their strategic capacity.

To illustrate the significance of pecking orders in the finance industry, consider the following.

- Large asset owners typically have greater degrees of freedom in terms of framing and implementing investment strategies than small asset owners. Large asset owners have the option to insource the production of investment returns - small asset owners do not.

- Large asset managers are able to provide a wide range of services, thereby capturing the full range of asset owners (clients) and sustaining growth in assets under management—small asset managers must specialise, relying upon a narrow range of clients and thereby limiting growth potential.

- Large asset owners and asset managers are able to marshal capabilities and resources consistent with dampening volatility in performance in relation to target rates of return—small asset owners and asset managers have limited capabilities and resources, and are vulnerable to the volatility of financial markets.
• Large asset owners and asset managers are able to invest in the capabilities and resources of their organisations, including infrastructure, the skills and expertise of managers, and risk control functions—small asset owners and asset managers are resource-constrained, prompting reliance upon the services offered by other organisations and/or the purchase of generic services over services tailored to their investment strategies.

• Large asset owners are better able to govern their relationships with asset managers—small asset owners are so reliant upon service providers that any leverage in these relationships fall to asset managers rather than asset owners.

• Large asset owners have the skills and expertise to develop collaborative partnerships, and the power and authority to choose partners—small asset owners seeking partnerships with larger asset owners must simply take what is offered.

• Large asset owners have the resources to compete in the market for skills and expertise, and may be able to insource production—small asset owners lack comparable resources and must outsource production.

• Large asset owners and large asset managers can become complex and unwieldy organisations due to their size and scope—small asset owners and managers may be more flexible and fleet-of-foot, but lack the capabilities and resources to fully capitalise on this advantage.

• Large asset owners and large asset managers may be able to compensate for their complexity by forming units of innovation (in the sense of being more adaptive to changing market conditions) just inside or outside the formal boundaries of their organisations—small asset owners and managers may be innovative, but lack the resources to make good on this advantage over the long term.

Here, large organisations were juxtaposed with small organisations; nonetheless, the hierarchy in each case should be understood as a continuum from largest to smallest. In each case, the pecking
order based upon relative size and resources (Helfat and Peteraf 2009). This is reflected in the strategic relationships between large and small asset managers, wherein the former may acquire the latter for their skills and expertise in areas not easily developed or manipulated within large organisations. Large asset managers can also spin-out certain functions and services given the inertia of these organisations. Ultimately, the stock and flow of assets under management determines the pecking order within the global financial services industry.

**Morphology of Finance**

Research on the ecology of organisations is self-conscious of the debt owed to biology and evolutionary science, especially in the use of concepts such as diversity and path dependence in explaining observed variations in organisational form (Hannan and Freeman 1989). Just as important are persistent variations in organisational form and functions across space (Boschma and Martin 2010). The morphology of finance is intimately connected to the ecology of finance. Here, we focus upon spatial scale (global, national, and local) and nodal points (financial centres) so as to locate global finance and thereby explain apparent variations in organisational form and functions across jurisdictions (Clark 2005).

**Financial flows**

It is widely recognised that capital flows around the world on a 24/7 basis at a rate that far exceeds trade-based commodity exchange. In part, the flow of capital takes place between regions that have a surplus of financial assets and regions that have a deficit. Surplus regions are often well-endowed but face countervailing forces: for example, the export of resources to the developed and developing economies of the world produces earnings which flow back to the exporting countries, and then are turned-around to flow back to global financial centres located in developed economies. Commodity markets are also financial markets; the expected price of resources tends to drive resource
extraction, export, and earnings. In good times, these markets attract investors seeking a risk premium over and above that found in conventional stock markets.

At the other end of the spatial hierarchy, local insurance companies, pension funds, and banks collect contributions and deposits from individuals and companies, pooling these separate and often small financial flows into common funds that, in turn, enable these organisations to discount the costs of collection, management, and investment. In federated countries, these entities often have a presence at the local and state (provincial) levels. The flow of funds from the local level are normally channelled through financial companies and organisations to entities located at the national level. Given the economies of scale in the financial services industry, pooling financial assets in organisations located in large financial centres benefits contributors and depositors alike, just as it benefits the companies that manage and invest those assets. Mergers and acquisitions between local, provincial, and national banks have accelerated the collection and channelling process, thereby centralising the holding and management of financial assets.

*Financial centralisation and decentralisation*

The rise of financial centres in many developed countries is an expression of the scale economies apparent in pooling and coordinating the flow of financial assets. Historically, the process of centralisation was facilitated through banking systems, wherein taking deposits and lending locally was transformed by regional banks taking deposits at the local level and, through the pooling process, investing those assets in economic and financial opportunities regardless of origin (national and international). Over the second half of the 20th century, banks and related deposit-taking institutions were transformed into financial institutions and organisations. In some countries, the geographical centralisation and financialisation of banking was so thorough that by the start of the 21st century, just one financial centre dominated the nation-state (e.g. Amsterdam in The Netherlands, Stockholm in Sweden, London in the UK, Paris in France etc.).
In the years following the Second World War, many developed countries encouraged the formation of pension funds so as to reap the scale economies of managing and investing contributions. Unlike banks, these institutions were not expected to invest locally—they began life as institutions designed to invest in financial markets, thereby facilitating and deepening the market for corporate and government securities. In a number of federated countries, including Australia, Canada, and the United States, public pension funds tend to be domiciled in the jurisdiction of their sponsor. Administrative and management functions remain at these sites (e.g. Sacramento, California). However, their investment operations are typically spatially segmented with some functions retained at ‘home’ while other functions are located in national and international financial centres. The spatial segmentation of financial functions can incur significant organisational costs, including the added costs of coordination and complexity when management hierarchies (at home) are difficult to sustain at a distance.

Notwithstanding the claims made about the ‘end of geography’ in financial markets, there remains a premium on being at, or adjacent to, financial centres that encompass major financial markets. The premium on co-location varies, however, by the transparency or otherwise of relevant financial products. For example, opaque financial products that require information and knowledge not readily accessible through existing channels of information (e.g. Bloomberg) are best assessed and priced through networks of information that are geographically and functionally-specific (Clark and O’Connor 1997; Storper and Venables 2004). By contrast, transparent financial products may be well-priced in the market, such that there is no privileged location (geographically-based information asymmetries). Trading from remote locations may be just as effective as trading from central locations, assuming that electronic and communications technologies are universal in terms of their efficiency and effectiveness (Wójcik 2010, 2011).
Financial centres

The asset management industry is highly concentrated, both in terms of the share of financial assets held by the largest asset managers and in terms of their sites of operation—major financial centres. As noted above, large asset managers have many advantages over small asset managers. By offering a broad range of financial products and instruments, large asset managers are often able to function as ‘one-stop shops’ that retain clients rather than having to compete, as much smaller entities must compete, for individual mandates. These managers are also able to bring together clients nationally and internationally through sites of operation and management linking together global financial centres and markets (Clark 2002).

More often than not, asset owners search for, or receive presentations from, service providers whose principal sites of operation are in national financial centres. Both sides of the market benefit from the spatial morphology of the industry: product providers locate in national financial centres so as to reap the benefits of being close to the market. Financial centres therefore embody two types of overlapping and intersecting markets: markets through which to place financial assets and reap investment returns, and markets for services across a broad range of functions and providers. As Grossman and Helpman (2004, 2005) observe when discussing the benefits of large urban centres in developing economies for service providers, co-location facilitates the search process on both sides of the market.

There is also a spatial hierarchy of financial centres. New York dominates Chicago and Chicago dominates the West Coast, just as London dominates Edinburgh and all other European financial centres. One explanation for this is to be found in the significance of their related public and private financial markets. This much is obvious. However, just as important is the fact that the largest financial centres embody a broad range of financial intermediaries (by type) and a large number of intermediaries (by function) than is the case for smaller, albeit significant financial centres. Indeed,
in the largest financial centres, intermediaries can afford to specialise in terms of the nature and scope of the functions that they offer because of the scope of the market for financial services. European financial institutions go to London not only for investment opportunities but also for access to specialised service providers that cannot survive in Amsterdam, Frankfurt, or Stockholm. To the extent that these types of specialised services exist in smaller markets, these are primarily located in large multipurpose banks and related organisations. Client access to these services is through the purchase of related products.

**Norms and Conventions**

In this section, we take a first cut at the ‘culture of finance’, drawing upon the previous discussion concerning the ecology and morphology of finance. From the outset, it is assumed that the culture of finance embodies norms—shared expectations about how people should behave—and conventions—how people behave in certain circumstances. It is assumed that the culture of finance has a normative and a positive element, the former being more problematic than the latter, since shared expectations can reinforce aberrant behaviour (Barberis 2013). Social conventions can also be quite damaging in that, in certain circumstances, people may act in ways that can be thought to reinforce system-wide instability (Haldane and May 2011).

**Service contracts**

Consider the contractual relationships between asset owners (e.g. pension funds and sovereign wealth funds) and asset managers (e.g. Blackrock, JP Morgan, et cetera). At one level, these relationships are formally codified and underwritten by the law of contract. The global financial services industry has a strong preference for the laws of England and Wales and its progeny, as found in North America and Australasia (Riles 2012). This type of contract law is preferred because it is founded upon private property rights, due deference to the interests and actions of the parties to contracts, and a presumption in favour of Pareto optimality—that is, the parties to contracts freely
enter into enforceable agreements expecting to benefit (or at least not lose) from such relationships (Bolton and Dewatripont 2005). This type of contract law is also preferred because of the perceived expertise and independence of the Anglo-American judiciary (Clark and Monk 2017).

Most service contracts are based upon templates that are widely accepted across the global investment management industry. These templates are written in the shadow of contract law, and are best understood as conventions—they represent standard practice across the industry, albeit subject to modification in those jurisdictions that require variations in accordance with statute and case law. Templates can be justified on three grounds. First, they allow parties to contracts to economise on the process whereby contracts are written. Second, templates provide a framework for negotiation on specific issues without having to negotiate the whole agreement. Third, templates tend to reduce the risks associated with negotiating ‘new’ contracts recognising that, having stood the test of time, the likelihood of being contested in court is low (Gilson et al. 2013).

Nonetheless, it is arguable that templates are pernicious—not for their existence so much as for their conventional terms and conditions. Being the product of the industry, these agreements tend to reflect the interests of investment managers rather than asset owners. While written in ways that suggest these agreements are equitable in the powers held by both parties, these types of contracts are often silent on key issues of concern to asset owners as opposed to asset managers. For example, templates often contain a clause allowing asset owners to terminate agreements ‘at will.’ However, under terms and conditions, asset managers often impose requirements on asset owners when unwinding positions, such that returning assets to owners is subject to the interests of asset managers. Most importantly, templates are often silent on topics such as performance-based fees, skin-in-the-game, and conflicts of interest.
These contracts represent ‘standard’ rather than ‘best’ practice. To illustrate, Figure 1 represents the contractual relationships between asset managers (large and small) and asset owners (large and small). For the moment, this typology takes no account of jurisdiction, size of financial centre, or the skill and expertise of investment managers. Contractual relationships are deemed symmetrical (SYM) when both parties have well-founded expectations as to the equitable nature of such agreements. By contrast, contractual relationships are deemed asymmetrical (ASM) when one party dominates the other (including veiled threats of domination). Assume that both parties come to the negotiation table with the relevant industry template. Also assume that size represents the capabilities and resources of the organisation and, more often than not, the place of the organisation in the industry pecking order.

[Insert Figure 1 here]

Where a small asset owner contracts with a small asset manager, it is symmetrical in the sense that neither party can do more than suggest minor modifications to the relevant template. For different reasons, both parties are likely to desire such a relationship, legitimated by the widespread belief that the template represents standard practice in the industry. As noted previously, relatively small asset managers operate in the shadow of larger asset managers unless they are highly specialised and operate in a segment of the market that larger groups find difficult to penetrate. Small asset owners can find themselves effectively excluded from participation with larger investment management groups unless their status provides large groups a reputational benefit. Where a large asset owner contracts with a large asset manager, the contract is likely symmetrical because both parties have the capabilities and resources to vary the industry template. In fact, the deal struck in these cases may be quite different from industry conventions underwriting, for example, long-term relationships based on shared benefits.
The case where a small asset owner contracts with a large asset manager is asymmetrical because any agreement to provide investment services is based upon the industry template and is offered by the latter on a take-it-or-leave-it basis. In fact, a small asset owner could be placed in a queue to gain access to the manager, rank-ordered in terms of volume of assets. The case where a large asset owner contracts with a small asset manager is asymmetrical because the former could dominate the latter by virtue of the need of the latter for inflows of assets under management. The deals struck, in these situations, could be quite exacting, with variations on the industry template provided by lawyers representing the asset owner. This may suit a small asset manager in the early stages of its development seeking to capitalise on its skills and expertise as well as a market niche that hitherto has been relatively ignored or not exploited. However, the deal and the relationship with the large asset owner could subsequently become a significant constraint on its development.

There are two points of complication. First, if both parties are located in a national rather than a global financial centre, asymmetries in relationships can be dampened by a mutual interest in a close relationship (thereby discounting the costs of searching for partners in a global financial centre). Second, if small asset managers are able to rise in the pecking order by virtue of their distinctive skills and expertise, a queue may form behind their investment programme. They may be able to negotiate variations on the industry template that enhance their powers and compensation. In their heyday, successful (small) hedge funds located in London and New York were able to enforce asymmetrical contracts for services.

*Employment contracts*

Service contracts in the global financial services industry are accompanied by expectations to the effect that the parties to these contracts do not need protection from one another. Through much of the 20th century, employment contracts tended to be industry-specific and subject to collective bargaining. These types of agreements often covered entire industries and were legitimated by
government arbitration and regulation. As financial markets were liberalised, the regulation of employment contracts shifted to minimum standards and conditions, leaving the market to set the norms and conventions of employment contracts beyond those mandated by government.

In some European countries, employment contracts and compensation remain contentious issues where governments, unions, and industry associations promote norms aimed at limiting the dispersion in salaries between the lowest and highest paid workers. In some cases, governments have sought to cap the salaries of workers in banks and related financial institutions, whether directly owned or underwritten by national governments. By contrast, in the Anglo-American world it is widely recognised that employment conditions including compensation vary significantly between industries and, especially, within the financial services industry. Industry-wide employment contracts have been discounted in favour of individual contracts, in part reflecting the dismantling of collective bargaining and, in part, reflecting relatively tight labour markets over the last twenty-five years. As a consequence, there is a spatial pecking-order across Europe in relation to London regarding compensation in the financial services industry.

Even so, as theorists of the firm have noted (Hart and Moore 2008), employment contracts and related compensation practices are typically subject to industry norms and conventions (embedded in the ecology and the morphology of finance). By convention, asset owners and asset managers reward employees with favourable employment conditions and compensation in accordance with the importance of their functions and performance relative to the mission of the organisation. Since asset management companies compete with other companies for investment mandates and, overall, the stock of assets under management, it is not surprising that these companies tend to privilege portfolio managers over other types of employees. In investment companies, there is a hierarchy in terms of the significance attributed to different types of employees in relation to the overall mission of the organisation. By convention, the highest-paid employees also face considerable uncertainty as
to their job tenure—performance-based pay implies an upside (bonuses) and a downside (termination) not shared by those in lower-tier functions (Clark 2016).

The privileging of those responsible for investment performance over those engaged with other, more routine tasks and functions is characteristic of the industry, and can also be found in many asset owners. However, there are some significant, albeit subtle, differences that deserve recognition. One key difference is to be found in the relevance of organisation-wide performance as opposed to fund-specific and portfolio-specific performance. Asset owners are judged, in part, in relation to their overall investment performance, even if the measure of performance is rather abstract and need not reflect the interests of all beneficiaries and/or sponsors. By contrast, asset managers are rarely judged in relation to the overall performance of their organization. More often than not, they are evaluated in terms of the growth in assets under management, profitability, and shareholder value. While the retention of clients and increasing market share depend upon being able to demonstrate superior investment performance, clients are most concerned with their mandate-specific performance not the overall performance of the investment company. Both sides of the market accept that investment performance by asset class and organisation are subject to stochastic shocks.

In Figure 2 we are concerned with two (interacting) aspects of the competition for talent in the industry. We distinguish between situations where the reference point for determining whether an employment contract is ‘fair’ whether internal or external to the organisation. Here, we are more concerned with norms than with conventions in that employees expect to be treated in accordance with their market value. Given the overarching objectives of asset owners, their reference point is internal in the sense that the value of an investment professional is assessed against his or her contribution to realising the organisations’ goals and objectives. By contrast, asset managers are more concerned with recruiting and retaining high performing investment professionals than they
are concerned with fitting those individuals within an employment contract governing the entire organisation.

[Insert Figure 2 here]

On the other side of the matrix is market density. This refers to the number and range of financial intermediaries in the local marketplace—a market characterised by high density is a market with a large number of financial organisations covering a wide range of activities (single function and multifunction organisations). By contrast, a market characterised by low density is a market with a relatively small number of financial organisations and more limited range of activities. London is a large market for both financial services and labour, within which there are a remarkable number and range of financial organisations. Amsterdam and Stockholm have a relatively small number of financial organisations and a limited range of financial services available therein. In these centres, it is arguable that the markets for financial services and for labour have been internalised by large multifunction financial institutions.

Instance A is a situation where low market density prompts employees and employers to assess the fairness or otherwise of employment contracts in relation to internal, rather than external norms. Indeed, it is arguable that the relevant external norms are not found locally, but found in London and New York. For asset owners and asset managers alike, salary compression is the most likely result. The dominance of internal norms is likely to influence employment conditions and compensation for the most talented investment professionals. Salary compression may prompt the flight of investment professionals from asset owners to asset managers. But given the lack of opportunities (relative to London), the market for switching is likely to be episodic rather than continuous. By contrast, Instance D is a situation where high market density prompts employees and employers alike to assess the fairness or otherwise of employment contracts in relation to external norms.
norms rather than internal norms. The market for switching is highly developed, sustaining the flow of talented investment professionals from asset owners to asset managers and from relatively small asset managers to relatively large asset managers.

By this logic, Instance B and Instance C simply don’t exist. However, Instance B is representative of the predicament facing large investment institutions headquartered in Amsterdam and Stockholm. Employers judge the fairness of proffered employment contracts against internal norms, while the most talented professionals judge the fairness of these contracts against external norms (as found in London). In this situation, the geographical extent of the market for financial services is much smaller than the geographical extent of the market for financial professionals. Instance C is rarer still, Notwithstanding high market density, the relevant norms are internal to asset owners and asset managers. This is possible if there is a high degree of intermediation, such that financial companies specialise in a particular part of the value chain that makes up the production of investment returns. In this world, companies specialise and complement one another with different functions along with different employment norms.

The Culture of Finance

The global financial services industry has an ecology and morphology in which organisations are distinguished by type, size, place in the pecking order, and location. As such, the ecology and morphology of finance cuts against claims of there being a single culture of finance (Lambert 2014). Nonetheless, it is also shown that the largest asset managers located in the most important financial centres affect the norms and conventions that underpin contractual relationships—service and employment—across the industry. As a consequence, the compensation packages claimed by successful investment professionals can influence industry compensation practices, whatever the notional differences between organisations.
Senior managers across the industry are, quite obviously, aware of the costs and consequences of following the contractual norms and conventions of the dominant investment managers. In response, a set of strategies has been developed by asset owners and certain types of asset managers so as to discount the culture of finance. By considering these strategies, we follow the lead of Hannan and Freeman (1989) who indicated that when applying ecological principles to organisations social scientists should allow for strategic adaptation. They reject approaches to the study of organisational behaviour that suppose agents are able to optimise the ‘fit’ between organisational form and function with the competitive environment. Nonetheless, deliberation is a key ingredient in organisational innovation (Birkinshaw et al. 2008). Here, we identify a series of initiatives taken by asset owners and some types of asset managers to sustain their own organisational cultures.

**Insourcing.** Recognising the costs and consequences of the ‘star trader’ culture, some of the larger asset owners have sought to take control of the process whereby risk-adjusted rates of return are produced. For many years, it was customary practice to outsource the production of returns via investment mandates allocated to competing asset managers who are governed by at-will service contracts. As noted above, more often than not, these types of contractual relationships tended to benefit one party at the expense of the other. Clients rarely confronted the costs involved, thereby legitimating industry norms and conventions on compensation practices and charges. Whereas it was believed that segmenting the investment process by allocating mandates to competing managers enhanced the power of asset owners, this strategy added significant costs to the coordination of fund-specific investment strategies. Insourcing is an opportunity to directly manage costs, maintain an integrated investment strategy, and serve the goals and objectives of the organisation rather than industry norms and conventions.
Re-intermediation. As suggested in the previous section, larger asset owners can forge long-term relationships with smaller, specialised service providers to mutual benefit. This involves discounting industry norms and conventions as regards service contracts in favour of bespoke agreements that provide mechanisms for governing longer-term relationships. Re-intermediation is made possible by having on staff, or close-at-hand, legal teams whose own incentives and compensation are consistent with the goals and objectives of the asset owner. One approach has been to bring in-house requisite legal skills and expertise. Another is to tie small, specialised law firms to the financial institution. Either way, a deal is made with two types of providers: those that are able to design and implement agreements that withstand scrutiny across the market for financial services and those that are willing to accept agreements for long-term rewards rather than for the short-term benefits typical of the industry.

Alliances. Whereas re-intermediation is controlled by a dominant asset owner, alliances can be formed between asset owners and groups of service providers such that overlapping relationships become subsystems of the global financial services industry with their own norms and conventions. In these arrangements, alliances are relationship-intensive rather than transaction-intensive (Bathelt and Glückler 2011). More often than not, successful alliances are geographically-framed, if not geographically embedded (Grabher 1994). The incentives used to foster continuity of relationships within such alliances are typically transparent to the parties involved and sufficiently different from those of the industry so as to dampen the temptation to defect. Reinforcing these relationships can be done in a variety of ways, including formalising alliances into organisations. In some cases, asset owners have placed senior managers onto the governing boards of the entities charged with responsibility for governing these alliances (Clark and Monk 2017).

In situ segmentation. Insourcing, re-intermediation and alliances are designed to gain control over the framing and implementation of investment strategy. These strategies are relevant to asset
owners, but have also been taken-up by some types of asset managers who rely upon the market for financial services for the provision of complimentary tasks and functions. For example, as hedge funds and private equity investors have grown in terms of assets under management, they have sought greater control over the service providers that hitherto provided services on a take-it-or-leave-it basis. But integration can come with costs, including the costs of complexity and coordination. These issues are widely recognised in the industry and in the academic literature concerned with the issue of make-or-buy (see Coase 1937; Baker et al 2001, 2002). In situ segmentation is one way of coping with the costs of integration, and coping with external incentive structures and compensation packages that cannot be reconciled with internal norms and conventions.

Spatial segmentation. The success of in situ segmentation strategies depend upon the sophistication of potential partners—domain-specific skills and expertise are more important to investors than simply providing the relevant tasks and functions. The success of such a strategy also depends upon the efficacy of lock-in devices—mechanisms that ensure continuity of commitment without exploiting either side of the relationship. And success depends upon the timeliness of oversight, whether direct by designated relationship managers or indirect via board members and representatives. Most importantly, success depends upon the density of the local market for financial services (the range of services available, the number of service providers, and the diversity of skills and expertise). Meeting these conditions for success is quite difficult in national and regional financial centres compared to the handful of global financial centres. As a consequence, in situ segmentation is often complemented by spatial segmentation.

Offshoring. In many respects, offshoring is synonymous with outsourcing, even if cast in terms of establishing an offshore office so as to take advantage of the nature and scope of investment opportunities and potential partners in global financial centres. This strategy involves taking
advantage of the scope of an offshore market for financial services to advantage the home organisation without ceding control of those opportunities to the offshore unit. This problem may be accentuated by differences in the financial cultures of the home-base relative to the offshore financial centre. These differences may be expressed in terms of language, norms and conventions, and the presence in offshore financial centres of global investment management organisations that prioritise transactions over relationships. In these circumstances, it can be meaningful to talk of national differences in financial culture. These differences may be the ‘opportunities’ sought by asset owners and asset managers unable or unwilling to realise opportunities at home.

**Offshoring with control.** There are three management ‘problems’ associated with offshoring. The first problem is entirely obvious: the need to control the offshore unit in ways consistent with the goals and objectives of the ‘home’ organisation. Control can be expressed in a variety of ways, including management oversight and accountability, the placement of executives from the home organisation with the offshore unit, the recruitment and retention of employees in the offshore unit, and the nature of the mandate provided to the offshore unit in terms of its goals and objectives in relation to the home organisation. The second problem is no less obvious: the need to hold the offshore unit at arm’s length from the ‘home’ organisation, so as to ensure some balance in terms of the mediating the costs of control in relation to the opportunities occasioned by discretion. The third management problem is perhaps less obvious: the ‘home’ organisation may need insulation from the offshore unit so that differences in service and employment contracts do not flow-back to the home organisation.

Governments may also recognise the need for barriers between the offshore and home-grown cultures of finance. This can be accomplished in a number of ways, including restrictions on the nature and scope of the activities of global financial companies when seeking to establish offices in the local jurisdiction. Likewise, governments can require much higher levels of reporting and
transparency of those activities they believe to be associated with the culture of finance. If they permit home-based financial organisations to make related commitments and investments in offshore global financial centres these governments may, in effect, outsource and offshore the burden associated with being an effective regulator of the norms and conventions associated with the culture of finance.

**Implications and Conclusions**

Media commentators concerned with the probity of the global financial services industry pounce upon every instance where a ‘rogue trader’ takes advantage of his or her employer to reap personal gain. These actions, and the obvious weaknesses of the companies concerned, are used to suggest that the finance industry is not to be trusted. Looking back, Jaffer et al (2015a) argue that, prior to the deregulation of the UK financial services industry in the 1980s, it was reasonable to suppose that relationships mattered and trust was sufficient to bind together the buy side with the supply side of the market. If plausible, it is shown in this paper that contracts dominate the industry by framing the relationships between the buyers and sellers of financial services, the relationships between intermediaries in the production of investment returns, and the relationships between employers and employees. In many respects, contracts for services are asymmetrical in that the providers of services are able to offer products on a (contractual) take-it-or-leave-it basis.

Commentators often accuse the large, integrated financial service providers of privileging ‘sales’ over ‘relationships’ (Jaffer et al 2015b, 9). This issue was considered in relation to the apparent scale economies that dominate the industry—the volume of assets-under-management is the litmus test of market position in the industry as it enhances company profitability and underwrites compensation practices. At the same time, it was suggested that the skills and expertise of investment professionals is a key ingredient in sustaining the investment performance of these organisations. Not surprisingly, large financial service companies are able to pay a premium to
attract high performing professionals (measured in terms of past performance). These large
companies also have the resources to buy-out poor performing professionals (measured in terms of
current performance), thereby creating a revolving door of hiring and firing, switching people
between companies, and driving an ever-changing compensation frontier.

It is arguable that payment-for-performance is at once arbitrary (unexpected market volatility can
significantly affect traders’ performance), and self-defeating (contributing to the revolving door
syndrome). It is also arguable that this type of compensation regime attracts, at the margin, those
with an unusual appetite for risk and a willingness to stake their reputations on highly advantageous
one-off results. Noe and Young (2015) argue that incentive contracts contribute to the culture of
finance. While we would agree, it is also the case that it has proven difficult to articulate a rationale
or purpose for large financial service companies that is anything more than the joint maximisation of
individual welfare. Shareholder value is a rather abstract idea when the production of financial
returns depends upon human capital orchestrated by self-interested managers. In theory, at least,
financial intermediation is a necessary ingredient in the long-term creation of economic growth and
social welfare (Mayer and Vives 1995). But, given the short-term nature of the industry, and the
compensation culture that dominates the largest financial service organisations, it is difficult to
argue that these organisations have a higher purpose other than their (separate) immediate benefit.

Care must be taken not to exaggerate the significance of rogue traders, just as we should avoid
representing the entire financial services industry through the lens of a handful of large companies.
This paper takes seriously the idea that the industry is best understood as a complex ecology of
separate but related organisations situated in time and space. Here, we also take seriously Haldane
and May’s (2011) injunction to the effect that understanding the performance of the global financial
services industry requires looking beyond its moving parts to how it functions as a whole. What
emerges from this approach are a series of hierarchies that represent the structure or segments of
the industry and the ways in which those segments interact at different levels within and between financial centres. London and New York are obviously important, and they cast enormous shadows over their hinterlands. Nonetheless, it is better to talk of cultures of finance rather than the culture of finance.

Three implications follow from our mapping of the industry. First, different types of financial organisations have diverse goals and objectives. This is especially the case for asset owners, although it is also suggested that investment groups lower down in the sell-side pecking order are conceived and organised in ways quite apart from the large investment houses. Second, the relationships between the component parts of the industry matter a great deal, notwithstanding the fact that these relationships are framed in the shadow of contract law. Just as there are obvious asymmetries in these relationships, there are instances where relationships are symmetrical and mutually beneficial. Indeed, these relationships may be deliberately framed as such, recognising the costs and consequences of the default position. Third, it is apparent that there is value to be had lower down in the pecking order. It is arguable that asset owners have not invested sufficient resources in the search for alternatives.

Most importantly, it was argued that contractual templates, in a sense, privilege the sell-side over the buy-side, thereby framing contractual relationships between service providers and clients. Too often, the cost advantages of using contractual templates trump a deeper interest in framing and implementing service agreements that meet the goals and objectives of the buy-side of the market. This is because many clients lack the capabilities and resources to be discriminating consumers of financial services. A virtue has been made of organisational shallowness, assuming that industry templates across a broad range of services are mutually beneficial. Reinforcing this presumption is the fact that many clients contract-out advisory services, legal services, and accounting services—these service providers, like the largest financial houses, benefit from accumulating clients and
minimising costs by providing generic rather than bespoke advice. In many cases, the very idea of making a contract as opposed to using a template is dismissed out-of-hand.

Employment contracts are equally problematic. Absent a compelling organisational mandate that identifies the goals and objectives to which employees are required to align themselves with, it is not surprising that external employment norms and conventions tend to trump internal norms. In these circumstances, external norms and conventions are invoked to justify employment terms and conditions that benefit individual employees or a class of employees, but which may not benefit the organisation. For investment managers, the reference point is the employment packages offered by the largest financial houses. Where the senior managers of an organisation are unwilling or unable to represent the mission of their organisation, the default position is either the industry average, or, more likely, the upper-tier of the pecking order. For these reasons, the culture of finance can cascade down the pecking order and across to other segments of the market, notwithstanding very different organisational forms and functions (see generally Alevy et al. 2007).

The culture of finance is perceived by many organisations in the global financial services industry to be pernicious and a threat to their functional effectiveness. In this respect, strategies have been framed, implemented, and designed to circumvent the culture of finance, whether at home or in offshore financial centres. The list of strategies is partial and a snapshot of a deliberate process of differentiation—these strategies represent a form of adaptation to a mode of organisation which is self-defeating. At issue is the capacity to adapt; the largest investment groups may have little capacity to change inherited practices. Entrenchment and path dependence may be sufficient to drive that segment of the market to irrelevance or worse.

Bibliography


**Figures**

Figure 1. Contractual relationships between asset owners and asset managers

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<tr>
<th>Asset Owners</th>
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<td>SYM</td>
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<td>Large</td>
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Figure 2. Competition for talent in the investment management industry

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