KNOTTY PROBLEM
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If it's control and independence you want, then boutique is best

Big firms are looking less attractive, and many are considering taking the plunge into a smaller firm, writes **Kathleen Brooks**

A GENERATION ago boutique financial firms were viewed with suspicion. Unless you were the owner, then if you were involved with a boutique firm you probably earned less, and had fewer career opportunities than your peers who worked for large, well-known institutions.

But in the last decade boutiques have been revolutionised and the previous reasons to spurn them have been turned on their head. As we emerge from the financial crisis that has seen some of the titans of the investment banking world fall to their knees, the attraction of working for a smaller company has grown.

Firstly, the pay differential has narrowed and small hedge funds, banks and asset managers can afford to pay as much as the top investment banks. The collapse of Lehman Brothers in 2008 was another blow to the idea that working for a large firm protected employees from the threat of corporate collapse through insolvency.

Also, the media scrutiny surrounding bankers' bonuses could benefit boutique firms: "Bigger firms are much more in the public eye and some people will want the anonymity that a small firm can offer in this environment, particularly senior people and high earners," says Ken Brotherston, chief executive of head-hunter Kinsey Allen International.

For some people the attraction of working for a small firm is greater productivity. Alan Miller set up Spencer-Churchill Miller Private, a wealth management organisation, last year with his business partner, Alexander Spencer-Churchill. After working for asset manager Gartmore in the 1990s he moved to boutique firms before starting his own company.

"I believe that success in fund management comes down to the culture," says Miller. "From the way that people work together, the way they are incentivised and the fun they have. These build performance."

He also says that boutique companies are more nimble and can easily adapt to new situations, whereas large firms can easily become institutionalised and heavily bureaucratic, which detracts from the most important part of a fund manager's job: generating profits for their clients.

"Once fund managers lose that culture it's very difficult to get it back," says Miller. "When management succumb to a managerial mind-set and start thinking about marketing, then it can become a nasty disaster."

Miller also says that unlike big firms, which recruit teams of analysts and economists to work in fund management,big teams are not always better. Bear in mind that the world's most famous investment gurus, such as Omaha's Warren Buffet, often work with a small staff.

Sometimes people take the plunge and leave a large firm because they lose faith in the way their organisation does business. Yogi Dewan set up Hassium Asset Management in 2006 after leaving Goldman Sachs' private wealth management division. He grew disillusioned with Goldman: "Back in 2006 investment banks had lost their way with wealth management. It became more commercial and I felt more like a product salesperson for the bank rather than an asset manager."

Dewan set up his own company because he felt he could offer a better service to his clients, which are mainly high net worth individuals or families. Unlike a listed investment bank, a private firm does not have the pressure to report earnings results every quarter and they also don't have to answer to shareholders. This, says Dewan, makes private firms less focused on short-term profits and more aligned to the needs of their clients.

At Hassium, Dewan and his team pick investment products for his clients that are available on the market. This compares with some investment banks that try and generate more revenues by selling products they have built in-house. This, says Dewan, is not always in the best interest of the client.

"We buy our products from the best providers in the market, otherwise there is a huge conflict of interest," says Dewan. He thinks that wealth managers in investment banks are held hostage by banks' investment products due to the huge pressure to sell. Working for a boutique or small firm can have its advantages: less red tape and bureaucracy, the chance to stand out and in some cases, working in a culture that you believe in.

STARTING BLOCKS

However, it's not always rosy. Dewan says that you probably have the chance to earn more money in a big corporate. Also, starting a small firm can be difficult since its much harder to hire employees who might prefer to work for a more established name.

Kinsey Allen's Ken Brotherstone says that once the economy starts to show solid signs of growth later this year then more people will choose to leave their jobs. Over the last 18 months, workers who had thought about leaving might have put it off until the outlook for the labour market improved. He expects to see a jump in the employee turnover rate from 10 per cent on average, to 15 or 20 per cent in the coming months, but he thinks that people looking for new jobs will not differentiate between small and large firms.

Diving in is easy. Floating less so.

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"Once the market picks up employees will be more discerning," Brotherston says. "I don't think that means that more people will think that small firms are good and big firms are bad, but employees will drive a harder bargain than in the recent past."

BOUTIQUES | PROS AND CONS

PROS:

- As the bonus plans and remuneration packages of the larger financial firms come under more scrutiny, small boutiques can offer anonymity for now.
- They can be a good place to improve your career prospects. It's easier to raise your profile in a small company with the number of employees in the tens rather than the thousands.
- Boutique firms are more nimble, less tied down by bureaucracy and also less political than larger firms.

CONS:

- A boutique can have a hard time recruiting because people don't know enough about the company.
- Large financial firms still have more brand recognition then their boutique counterparts in the industry, and for some people the kudos of working for a well-known firm is important.
- Because smaller firms have to make sure their clients come first, in some cases they pay less than larger firms, although this can mean that clients earn more.