IMpact: An investment management podcast series

Episode 1: The changing investment management landscape

Host:

Reese Blair, partner, Deloitte & Touche LLP

Guest:

John Dionne, senior lecturer, Harvard Business School

Reese Blair: *Hello, everyone. I'm Reese Blair, your host of IMpact, the new investment management podcast series from Deloitte. IMpact brings you hot takes and fresh perspectives from top experts in the industry. Whether we're discussing issues like regulation, recession, or resiliency, we'll take a deep dive into the latest news, trends, and challenges facing investment management professionals. So, tune in, learn something new, and walk away with insights that will help you make an impact on the IM industry and the world around you.*

Reese Blair: Hello, *IMpact* podcast series listeners. This is Reese Blair, a partner with Deloitte & Touche LLP, based out of the Philadelphia office, and I have a question for you: What does it take to drive success within the investment management industry? A lot of industry leaders continue to operate in a rapidly changing marketplace, requiring transformative and adaptive thought to promote a culture of prosperity throughout their firms. I am excited today because I am joined by a luminary, someone I have a tremendous amount of respect and admiration for, someone who's hailing from the hallowed halls of Harvard University today: John Dionne. John, it is so good to have you on our *IMpact* podcast series today. You're kicking off our series, so looking forward to the conversation, really looking forward to your insights on, really, the state of the industry. And so, before we dive in, I really want to maybe start with an icebreaker. I know you're an avid reader, John. I wouldn't expect anything less from someone who's, again, spending time at Harvard. What's your all-time favorite book or something that you're currently reading that you'd like to share with the audience?

John Dionne: Yeah, there's several books I would put in my all-time favorites because they're just different topics and themes. But the one that I'm reading right now so important is *How Do You Wish Your Life to Be Measured*[1] by Clayton Christensen, the late professor of Harvard Business School, which I'm reading in preparation for giving a speech to our students as we get them to reenter the real world and leave academia and capitalistic academia above all.

Reese Blair: Love that. Love that. I'll have to get a copy of that. I'm not familiar with that one, so I think I'm going to have to add that to my growing list of books. So, thank you for sharing that, John. John, I am beyond excited. I can still remember vividly the opportunity I had to connect with you in Charlotte some time ago. And we had such a fantastic conversation there. And one of the things that I didn't get a chance to ask you, John, and now that I have you on my podcast, I'm going to take full advantage. I'm going to take executive privilege to ask this of you because I didn't get a chance to do it back then. I'm curious, John, you now have the benefit of hindsight. You've been in some incredible rooms. You've been a part of some incredible deals throughout your journey within the industry. And before we get into talking about the state of the industry, I want to unpack John, beyond the man, and the journey that you've been on. And so, I wonder, John, if you could talk to your younger self, if you could go back in time and have a conversation with a younger John, what would you tell that younger John?

John Dionne: For sure, greater self-esteem. I think it's not just unique to me, but I think young people, and many people in businesses, suffer from low self-esteem. And I'm thinking a really high percentage, and some people never beat it. And your success is driven on just feeding that low self-esteem rather than doing what you'd really want to do with your life and the like. So, I think just being comfortable with who you are, with your strengths, acknowledging your weaknesses, and just embracing your identity and uniqueness to go out and be a special person in the world because of those things. So, rather than beating yourself up all the time, which I see constantly with my students—who've only won in life—that I do think low self-esteem is one of the most powerful things in business. It goes with some people all the way through their career, and taking that on head-on and just understanding who you are as a human being and how you conduct yourself, how you treat others, how you mentor, how you are as a parent, that means more than your business career, and it means far more than what other people think of you. So, don't let your career be driven by low self-esteem. That happened to me, for sure. Finally, overcame it somewhere along the way, but in my fifties. So, I like to have a lot of that back. There's a lot of suffering that goes with that. And again, I talk about it openly because I think it's everywhere. I see it all the time.

Reese Blair: Love that. Thank you, John. I appreciate that. And I have a running folder in my phone, literally, of "What did you learn today?" I have this log where, every day, I don't let a day pass where I don't ask myself the fundamental question, "What did you learn today, Reese?" And so, there are things that I've picked up over the years and there are things that I think would be relevant to listeners, especially some of our younger listeners, because you share it a lot, that I think just would hopefully resonate with our younger listeners around self-esteem. And hey, I think it would even apply to some of our more seasoned listeners as well, to be honest with you! So, I thought it was very important to tee all of that up before we dove into the state of the industry. So, thank you for being personal. Thank you for always being vulnerable. Every question and conversation that I throw at you, you've always been just so transparent and vulnerable, and I can't thank you enough for that. I really, really appreciate that. Why don't we dive into the first question. I think a lot a lot of folks who are listening to the podcast, they are curious about where we are as an industry. Curious to get your take, John, on what are some of the common trends that you're seeing with regards to the investment management industry?

John Dionne: Well, it's clearly a maturation of several asset classes and the ability to generate excess returns. Tremendous multiple expansion and really driven by low interest rates and federal stimulus. So, basically, anything you bought in 2011 and '12, you've doubled or tripled your money over the course of a decade with no leverage. So, that's obviously a very rare event. The world has changed a lot. It's a lot slower growing than it once was because China's not growing at 10% anymore. LATAM is not growing at 10% anymore. United States is in the 2.5% ratio and happy with that. So, growth is really, really hard to come by. And what you invest in successfully often has to have a pretty attractive growth element to it because we run businesses much more efficiently. So, really have to approach a different mindset, take the best from the past, have very good risk mitigation, but think of new ways in which to enhance capital preserves.

Reese Blair: John, we've seen in recent years a lot of activity around mergers and acquisitions. Curious to get your take on where you think we are headed from an M&A perspective. Do you think there's going to be more of a downturn? I mean, I know we're in a tumultuous time with rising interest rates, inflation, folks aren't really necessarily thinking about it unless they're probably exploring opportunities to maybe cost cut and streamline operations. I'm curious to get your take on sort of where we are, from an M&A perspective, and where you think we're headed.

John Dionne: So, let's break that into two pieces: traditional corporate M&A, and then what a buyout firm would do. Two different things. So, traditional M&A, traditional company right now, I think is very much on pause, and there's a couple reasons for that. So, we're seeing that in the cases. So, people are waiting for the cost of capital to come back down. Why hurry? You can get the capital structure right later and still have those same companies waiting for you. And I think also, because of technology and AI, acquisitions are no longer the priority for growth. Growth is coming from within, from embracing technology. So, the only way certain companies used to be able to grow was every year and a half, do another deal, do another deal, get synergies, try and get that earnings per share up by having the acquisition machine growing. That's really taken a deep, deep pause. So, it'll come back. But for the moment, with the credit markets being what they are on certain economy and higher IRRs from technology than a deal, you're going to do the technology. So, there'll always be some, and then you have special situations, which I won't mention names. On the buyout side, it's really changed. I teach my class to make it very clear there's no such thing as a proprietary deal, where you bought something no one else looked at. They just don't exist. If someone tells you that, they're not telling you the truth to themselves. And you always pay more than full price. So, if my own firm used to go buy something, we outbid all of our competitors. The reason we can outbid people and pay a premium is we get the best CEOs we can get. Either we grow them from right when they come out of business schools and have them with us for 30 years and have them be part of the team. Or we have, at one company, 35 CEOs waiting and standing—S&P 500 CEOs—to give you an edge when you buy a company because he or she has a different way of looking at that business and creating value. So, the private equity firms now have to be value creators and in acquisition. It's not buying at a low multiple and selling at a high multiple, it's not leveraging as much as possible—it's transforming businesses. And we run our business that way now. Actually, far, far more, the fastest-growing part of private equity is what we call portfolio operations—which are the people running the businesses and creating the value, and they're getting dramatically more comp. So, even though the credit markets are expensive right now, the deal market and buyouts is still coming along in a decent clip because they have a different view: "I'm going to own this company for seven years, I'll have over expensive debt for two years. I'll buy that down in year three or four or five, betting that debt come down, and get my capital structure right in time because I have an asset that I want to get my hands on right now because it's going to be worth way more later." So, it's still going on, but the battle is won in private equity prolifically different than it was 10 years ago. And you can't raise money from foundations and endowments and pension plans unless you can convince them that you actually have true expertise in operating people
to create value rather than financial engineering. It's changed prolifically.

Reese Blair: So, John, we just spent some time obviously talking about private equity, and I want to maybe think about… here we are… three decades of ETFs, and I'm curious to get your take on sort of what your thoughts are on traditional assets, moving away from the PE space—let's go over to traditional assets versus the movements that we're seeing towards ETFs. Any thoughts there? Any trends that we want to share with our listeners?

John Dionne: Yeah, well, I mean there's a couple things on ETFs that I think they're good to say, and it's actually my largest personal holding—the S&P 500. But ETFs are very tax-efficient. They have a dividend yield to it, provide diversification. And ETFs are extremely liquid, you can trade them all day long. The interesting thing about ETFs is if you look at the last decade and you put one turn of leverage on the ETFs, the S&P 500, you outperform, by far, private equity. So, these pensions that tie up their money for 10 years of time and pay 2 and 20 in fees could have had the same results in daily liquidity if they invested in the S&P 500. So, we get away with it because we provide good persistency of returns. So, when you're running a pension plan and you have a 7% hurdle rate and you believe a private equity firm will consistently get you 12% or 13% or 14%, you're buying that persistency, but you're not saying it's going to outperform the S&P 500 with internal leverage anymore. So, we've gone from really truly outperformers to being stable-plus-500-basis-points businesses, by and large, if you go with the right firms and right staying power. So, that would be my view. So, ETFs are here to stay and going to keep on growing. And then the last thing is certainly, in private equity, the performances come way in and then the returns now in private equity—I don't really call them private equity firms anymore. I call them alternative investment firms because they have 12 or 14 different product lines at this point. And many of those are more lucrative than traditional PE or traditional real estate because those businesses have matured. So, a lot's going on in alternatives. I still think you can win with them if you can give up your liquidity. But it's a much different business and it's harder to win, and you have to look at these firms more holistically because your best opportunities might be in products that you didn't even know existed.

Reese Blair: Got it. John, you touched on a couple of the challenges and headwinds that a lot of folks are facing. I'm seeing certainly individuals who are in the fundraising world having a lot of challenges with fundraising. Let's double-click on that concept of challenges. What other challenges are you seeing industry leaders facing right now in this current environment?

John Dionne: Yeah, I think it's obviously increasing government regulation. I mean, the recent bank collapse was one of that and what will happen to the statutory reserves and the lending—contraction of lending in the market—and lending is so important to growth in so many ways. So, a slowdown of debt issuance is clearly for sure. The second thing is we have a very, very uncertain geopolitical environment. So, as you invest around the world, you're taking along a lot more currency risk than you once did. And then again, the growth has changed. And I just want to give you a simple stat: Coming out of the Great Recession, two-thirds of all the growth came from the emerging markets. Right now, it is less than 25%.

Reese Blair: Wow.

John Dionne: So, you're really relying on the growth of one country, namely ours right now, to get the world through what appears to be a pending recession and hope that the rest of the world can at least hold on to their own. So, there's no dramatic growth about to happen. The markets seem pretty full. A lot of industries have matured. It's just a lot harder game, and the things that you might find most attractive are the most riskiest. So, you have that dynamic of capital preservation versus risk-taking to make above-average returns, which are harder than ever. So, it's quite tricky right now.

Reese Blair: Yeah, same here. Same here, John. And I want to pivot a little bit and double-click on some of these other challenges we're seeing. Speaking of the concept of trends and what we're seeing in terms of macro shifts—we're seeing a shift in employer retirement obligations to defined contribution plans, from defined benefit plans. I wonder if I can get your thoughts on sort of what you're seeing and what the implications or impact of that shift might mean for industry practitioners.

John Dionne: Yeah. So, at the firms I've worked with, we received tremendous amount of capital from defined benefit plans, sovereign wealth and the like. But defined benefit plans are really becoming dinosaurs. The new members within those companies are given defined contribution plans where they put capital in the individual's account and it's the individual's obligation from there to manage their own capital. And that's the end of the obligation right there of the employer. Defined benefit plan is an obligation for life. So, two totally different vehicles. One's a perpetual capital vehicle, basically, that can take a lot of illiquidity risk, depending on how they manage their books and what kind of returns they're trying to get. So, they can do things you can't really do on your own. For defined contribution plans looking to get returns, more and more, they're looking to leave traditional investing through mutual funds, which are really shrinking in assets, and moving more into fee-efficient vehicles and tax-efficient vehicles such as ETFs and the like. And then, more and more, a rapid increase in the participation in the alternative investment space, which it would be everything from privately traded rates, core real estate products, private equity, and the like, are definitely finding a bigger home because for young people in defined contribution plans or people that are even in their forties, that money has a 25-year future to it. So, you can actually take now more duration exposure and get into asset classes where when you don't need your money for a while, you can go for the higher return. But a lot of education has to happen. People buy products just by brand name alone and don't really understand the product. So, there's a risk management issue in there of how do you get good risk management inside defined contribution plans, and how do you get them access to high-returning low-risk products in a manner that meets their duration needs. But I think that's the way of the future, for sure, for defined contribution plans.

Reese Blair: That's tremendous insight. And one of the things that I really want to highlight, as we move through these series of podcasts that we're going to have on IMpact, is just talking about things that you may have heard but maybe hadn't had that particular take on before. So, John, I really appreciate you sharing that perspective on where you see us headed from a defined contribution versus defined benefit plan. Very, very insightful. Thank you for sharing that. Firms are really working to adapt their talent models to meet expectations and certainly satisfy the needs of their employees. Wondered if you could maybe share what your thoughts are on some of the challenges you're seeing around changing culture.

John Dionne: So, I think cultures by and large have improved, meaningfully, since I was a student 30 years ago. I think they're more authentic and sincere. I think they're more inclusive for sure. I think they're still evolving and still have a lot of work to do on a variety of fronts. But I think, by and large, it's more fair and has a greater respect for work/life balance in most industries than we certainly had. There used to be a lot of lip service about being fair to families and time off and taking a career pause and things like that. But it was lip service. Now, I actually see it happening. And so, I think that's a really big thing. And the other one, for sure, where there's a great disparity of thought on this, is the work-at-home environment and what that means to culture. And I'm a firm believer, of course, there's situations like if someone's going to bring life in the world, we can certainly accommodate that through Zoom and everything. But I tell my students it's very hard to be competitive with your peer group if they're at work and you're at home. And so, I know I like to see my people, the water bubble conversations mean a lot, all that kind of thing. But that's the industry I'm in. There's other industries that are accommodative to work at home, but that is a real big change. Some of our biggest and best skyscrapers are 30% unoccupied right now, which was just unthinkable five years ago. So, that whole dynamic of how do you balance work at home with work at the workplace, and what's the new generation really going to be and what's effective and not effective, is still being determined. But I take great concern in that.

Reese Blair: John, when we think about the future of work and we think about the pipeline conversation, the individuals who are coming into, again, is there anything that we should be thinking about that could either attract individuals to the profession, and/or maybe even explore the consideration of launching a career in public accounting? Do you have any thoughts there?

John Dionne: Yeah, I think just the universities that I'm involved with may or may not be indicative of the bar to set, but I don't see as many young students entering our college program focused on accounting. They either find it along their way or they never find it at all. And I see this actually in some other industries as well. And so, they opt out early, and why are they opting out before they're even a freshman in college is questions that people need to ask and answer to. And then the other thing is what about educating people in last year in high school and first year in college about the value and the merits of entering into a world of accounting. Which is "you win or you win"—basically, you either go through the system and you get a CPA, you learn a lot, and then you're better educated to go wherever you want in your life. Or you love what you do, you love your colleagues, you love the clients, and you want to make a career of it. So, it's multiple ways to win, in my view. And I think that's rare. So, to me, you get a free look. That's a powerful thing. And then also, I think, you offer a more dynamic career path when you think about the number of different clients people deal with, the number of industries you can get involved in, your ability to move to different offices and all that kind of stuff. So, I think rather than waiting for the ball to come to you, as an industry, you should go after the student earlier and educate them and let them understand why it's so good. A marketing effort, if you would say.

Reese Blair: Absolutely. Absolutely. That makes a lot of sense. We'll stay on, we'll call it, the talent or workforce. And here at Deloitte, we use a concept—and we're investing in—this notion of the future of work and what that means as we move forward. And wanted to get your thoughts on what that means for you.

When you hear the term "future of work," what comes to mind for you? What are some of the shifts that you see with regards to that definition that you have as we move to, you mentioned, a more hybrid model and others. What else would you define within that realm of the future of work?

John Dionne: Well, I'll tell you, it's something I'm very grateful to see, but much more tolerance of uniqueness in every way. And what I mean by that is, 20 or 30 years ago, if you're working in an insurance company, you got through your career by thinking the same as everyone else and not rocking the boat. And we were kind of trained to be that way—like stay in the right swimming lane. Now, I see much, much more attempts to get the most out of their employees by asking them to embrace their own uniqueness, and respectfully, think through their thoughts and share them with groups and change your approach to your day. So, far less robotic and formulaic, and far more about the individual and what their unique talents are and what they bring to the equation, which to me, is a much, much better workplace in terms of both quality of product and enjoyment of your workday and ability to grow. So, I think there's a lot more tolerance in individuality than there certainly was 25 years ago.

Reese Blair: I love that, John. That notion of instead of exploring someone's fit, how they essentially are accretive to the tapestry of that office or of that firm. I think that's a beautiful way to certainly articulate what you just shared. And thank you for that perspective as well because I am seeing that shift as well where we are moving to places where individuals are celebrated for their uniqueness and their differences rather than tolerated. So, thank you for sharing that, I'm certainly seeing that as well. You mentioned something about robotics, and I would be remiss if we did not go down the path of talking about the future of work from an operating model perspective. I mean, a lot of firms are experiencing cost pressures. A lot of firms are really being asked to do more with less. And so, the operating model is evolving. We are seeing individuals and firms take a position of greater use of technology, and there's certainly a potential risk arguably associated with the integration of more technology. So, wanted to get your thoughts and maybe any reaction to that notion of incorporating more technology and leveraging that in the journey to the future of work.

John Dionne: Yeah, it's a great question. I mean, there's parameters here. I mean, there's firms that are trying to preserve their culture and their values and their beliefs, and then a competitor is like, "I want to be as efficient as possible and maximize my return because my primary obligation is my shareholder's not to my employees." So, if you have two competitors going at it, and one's trying to maximize operating profits through alternative intelligence and technology and cloud technology and all the things that are out there in Oracle, Salesforce, etc.—those are all resulting in fewer employees. So, it's like how many employees that you take care of, belove, and have an obligation to can you actually eliminate and have cost savings for alternative intelligence, and the like, and be as candid and abrupt about as possible and move as fast as possible? I just kind of look at where we're at right now at this moment is a road to anywhere. I don't really know where this is all going to go. It's good to see the government actually getting involved. I usually like the government involved in virtually nothing, but I think this is one where we really need government involvement, where we really have to debate it as a society where we're going with this. And then who the winners and loser are, are also going to be played out. So, we've had great changes in the world before, it could be the emergence of e-commerce. It could be going back, all the way back, to the emergence of automobiles and stuff. So, this is some game changer, but the magnitude is impossible to tell. And then, I think, you don't really have a choice but to participate whatever the norm becomes because you can't become the least profitable competitor. However, you shouldn't be the biggest risk taker. I'd rather watch someone try and implement the new technology we talk about and see how it goes from a distance for a little while and de-risk it before I jump in. So, I think it's not going to move quite as fast as everyone believes it'll be. We'll have swings and misses, no one really knows how it's going to play out. And then the great question [for] everyone is how do you play this change in the stock market? And I think the best answer is the S&P 500—because the technology's basically going to change every company. Who provides the technology? That's the winner. It's impossible to predict, but I guarantee they're going to be somewhere in there. So, listen, I think it's going to be good overall for profitability. However, when you lose all these many employees, what does it do for your overall economy? How much of an uncertainty does it create? Does it cause people to tighten their belt because they wonder if they're ever going to be employed again because the employer base is shrinking? So, there's a lot of questions going on at once here and I'm just trying to read, learn, watch, and see what happens next. But yep, something decent will happen here at size, but it's impossible to predict what's going to happen right now. And there'll be a lot of mistakes.

Reese Blair: Of course, of course. And hopefully, folks will adopt that fail fast and just keep pushing forward and being resilient. You mentioned reading, watching, observing, and paying attention to where things are headed. John, I wanted to pivot to this concept of efficiencies, and I want to pivot in the concept of what firms should be doing now to drive efficiencies into their daily operations. A lot of them are doing it through digital transformation. Some investment firms are really rethinking how they research, maybe test new investment technologies such as AI, data analytics, so on and so forth. I'm curious to get your take on what you're seeing around the concept of firms gaining efficiencies in how they operate.

John Dionne: You have a fiduciary obligation to your shareholders, you have to have a big heart. Of course, you're not going to have good people if you don't have a big heart. But if you can install the cloud, which most everyone has at this point, or embrace AI and the like, and have greater operating efficiencies and more profitability to invest in new products, new R&D and the like, you have to do that. The only thing is be careful because anytime you do great technological change in a company, you run the risk of breaking the company. So, you can't be reckless, you have to be defensive about it, have to move in a measured way. But overall, you have an obligation to look long and hard at this. That's an obligation. You have to be as competitive as possible. You owe it to your future.

Reese Blair: Love it.

John Dionne: And your present.

Reese Blair: Indeed. I was going to say that: your future and your present. I agree a hundred percent. Let's zoom back out because at the end of the day, John, we're talking about the state of the industry, and we want to come back to sort of where we started, where we talked about some of the common trends that we're seeing. I want to circle back to that because I think we did a deep dive on the workforce, the future of work. Certainly, the human capital element of the success that would drive industry leaders to move to the next level. And I think when we think about moving to the next level, one would argue that you either evolve or you evaporate.

John Dionne: Right.

Reese Blair: And I would say that there are probably new products that are in the pipeline, there are probably product offerings that are coming down the pipeline. And I'd be curious to get your take on anything that's been of interest to you, John, anything that you've been seeing in your travels around evolution of new product offerings, anything that you're seeing between private equity, other products, so on and so forth. I would love to get your perspective there.

John Dionne: Yeah, well, there's so much going on in the financial services sector. I mean, the insurance sector is just being completely redefined, and it's a massive part of the financial services overall. I think how we bring capital to the markets is changing prolifically. I think also the battle for deposits is going to change a lot. But when you see Apple now offering 4.5% for cash because they realize they have a captive audience with the phone, I'm looking at existing products that are going to be used in a different way. And I think the cell phone is a huge one because they have a massive installed base. So, how do you leverage that into selling way, way, way more product? And you clearly see that going on as well. So, there's a lot going on, on the technology side, that just obsoletes a lot of products real, real fast. Technology is front and center here, financial services is a really big deal. We don't need this many banks. I think banks are very poorly capitalized by definition. I think that's being redefined, as we speak, real quickly. And then beyond that, the whole transportation industry is changing radically as we speak. The technology that's coming to force—to everything that moves people—is those game changers. We will see in the next five years driverless cars, that's coming, it's real, it's safe. It's probably safer than people driving. Who would've thought that before? So, I just see existing products changing in how they're used and how effective they are because of the emergence of technology or the digitalization of products. One company I'm involved in, what we do is we take digitalization technology and we bring it to traditional business. So, that would be a tire-changing business that I'm involved in, a national one, I won't give you the brand. But what we do now through the use of technology is we text people and say, if you're here in the next hour and a half, you're going to get an oil change at half price. And what happens is we get the utilization of our base skyrocketed at 95% to 100%. We have a lower dollar per person. However, the overall average is way, way higher. So, getting better utilization through the use of technology is a really big thing. And we even done it with a very large pizza chain that you've heard of. We're using technology—we can get pizzas through the oven now all the way through and into a box in 6.5 minutes versus 12 minutes nine months ago. That is a big, big deal. So, when you can start to change the way people operate their business because of technology, changing that fast and short of time by applying it to traditional world businesses, you can have real game changers on that. So, the tire business, the profitability is up 50% a year. That's just from digitalizing it all.

Reese Blair: Wow. So, John, you hit on a lot of things there, and I think there's an element of really wanting to understand the secret sauce for success. There's some firms that are doing it right, and there's some firms that probably could take a lesson from those firms that are doing it right. So, I'd be curious to get your take on what you're seeing as contributing factors to the success of a firm and what could get in the way of someone having long term—or longevity, I should say—in the industry. What are some of the secret factors—or rather, the secret sauce and factors for success?

John Dionne: There's just so many ways to answer this question. I'll give you one you wouldn't have anticipated probably. I think the boardroom has really changed. I've been on about 20 boards in my life, and it was really kind of a reporting function and just checking what's going on. The boardroom has become a place of innovation, and people want to understand how the company is transforming, where we're going to be in five years—not in terms of revenue, but in terms of product evolution and product obsolescence and the like. So, are we becoming obsolescent? I'm not even focused on it, as we speak. Those are conversations we have at every meeting now. So, that's like a really big change. Cybersecurity now is a really, really big issue. So, the whole governance issue has really evolved to be more strategic than just governing alone. So, I would think that that's some of it. I think you have to have a culture of innovation in any business you have right now. That used to be, wait a minute, that's for those tech firms out there. Now, it's basically for every business, is trying to innovate as a way of growing the bottom line in a slower world. So, seeing a lot more of that, and that changes how you manage, it changes who you hire, and it changes how you compensate people. So, there's a lot more inherent business risk that you're trying to change through innovation and curiosity as well. So, I just think how you run a business has really changed. Jack Welsh, several years ago, said we should figure out how to destroy our businesses in three years or less as a test to make his companies great. He was so futuristic with that because now we all do that all the time. How can we go out of business in three years? We ask that question all the time. So, I guess we no longer rest on our laurels. We're no longer excited about market share. We looked at how much the FANG stocks, those companies, change in such a short period of time, but that no one would've anticipated. So, it's really a world where you're best off being a worrier and you're best off being highly curious and highly, highly innovative and having the people that get you there, rather than just people in suits.

Reese Blair: Love that. So, John, we went to a lot of different areas of where the industry is headed, where we are currently, where we're headed. I could talk to you for hours, John. I've always enjoyed our conversations, and so I do want to bring this plane in for a landing though. And so, I'm a firm believer in the question is the answer. And I wondered, was there a question that I have not asked you today that you would want to share with our audience related to the state of the industry? Anything that's top of mind for you? What's either keeping you up at night or what's the first thing you're thinking about in the morning? Would love to get your perspective on that. That would resonate with our listeners.

John Dionne: So, I look at the global macro change and I look at youth, and I see youth has never been more bewildered than now. When I was young, people figured out pretty quickly what they wanted to try and do, where they were going to go with life, and how it was all going to work. I watch my students hit the ground and they're wondering, what do I do? I'm on the playing field, the world's changing so fast, I don't even know what I like, because what I like keeps changing or the industries keep changing. So, I see uncertainty in a geopolitical environment. I see a lot of uncertainty with our youth, and I find all of that quite troubling.

Reese Blair: John, while that is certainly something that's a sobering thought to resonate on, it's something that I think we all need to be honest with and have a self-assessment around. And so, you did not disappoint, my friend. I knew that kicking off this podcast series with you would share some insights that would just allow us to maybe sit up a little bit and pay attention—if folks weren't already doing that. John, that was fantastic. Fantastic, fantastic. Thank you so much for your insights. I will close with this: At the *IMpact* podcast, we can either spend time or we can invest time. I believe today, we invested time and, hopefully, our listeners got a return on the investment of their time. Thank you for joining us for the *IMpact* podcast. Thank you, John, for your time today.

John Dionne: Thank you, Reese. And thank you everyone at Deloitte for all you do.

Reese Blair: *Thanks for joining us for today's episode. Be sure to listen to IMpact each month. You can find us on deloitte.com, Apple Podcasts, Stitcher, Spotify, or wherever you get your favorite podcast. Simply search I-M-P-A-C-T. For more insights on investment management, visit the investment management page at deloitte.com. You can also connect with me on social media. Just search Reese Blair on LinkedIn. Until we meet again, keep making an impact.*

Endnotes

1. The correct title of the book is *How Will You Measure Your Life?* by Clayton Christensen.

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