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EPISODE 16:

Clarity of Vision with Ryan Hicke

of SEI

Robert Morier: Welcome to the Dakota Live! Podcast. I'm your host Robert Morier. The goal of this podcast is to help you better know the people behind investment decisions. We introduce you to chief investment and executive officers, manager research professionals, and other important players in the industry who will help you sell in between the lines to better understand the investment sales ecosystem. If you're not familiar with Dakota and their Dakota Live! content, please check out Dakota.com to learn more about their services. Before we get started, I need to read a brief disclosure. This content is provided for informational purposes and should not be relied upon as recommendations or advice about investing in securities. All investments involve risk and may lose money. Dakota does not guarantee the accuracy of any of the information provided by the speaker who is not affiliated with Dakota, not a solicitation, testimonial, or an endorsement by Dakota or its affiliates. Nothing herein is intended to indicate approval, support, or recommendation of the investment advisor or its supervised persons by Dakota. Today's episode is sponsored by Fuse for Salesforce. Do you struggle with outdated information in your Salesforce accounts and contacts? Fuse for Salesforce is here to solve that problem. Fuse is the innovative platform that updates your Salesforce data in real-time. With Fuse, you can sync your Salesforce accounts and contacts with Dakota Marketplace data so you never have to worry about stale information again. Say goodbye to manual data entry and hello to a more efficient and streamlined work experience. With Fuse for Salesforce, you'll receive real-time updates saving you time and increasing your productivity. You'll be able to focus on what really matters, closing deals, and building relationships with your clients. Don't miss out on the opportunity to elevate your sales game. Try Fuse for Salesforce today and experience the difference it can make in your work life. Well, I'm very happy to introduce you to our audience, Ryan Hicke, Chief Executive Officer of SEI. Ryan, welcome to the show.

Ryan Hicke: Thanks for having me today.

Robert Morier: Yeah, we appreciate it. Well, we have a lot of questions for you that we want to pack in to the next 25 minutes or so. So before we do, I'm just going to quickly let the audience know a little bit more about you. Ryan is Chief Executive Officer for SEI. SEI is a publicly traded financial services company delivering technology and investment solutions that connect the financial services industry. With capabilities across investment processing, operations and asset management, SEI works with corporations, financial institutions, and professionals, as well as ultra high net worth families to solve problems, manage change, and help protect assets. As of December 31, 2022, SEI manages advisors or administers approximately $1.2 trillion in assets, including approximately $815 billion in assets that are administration, and $399 billion in assets under management. For more information, you can visit seic.com. In his role, Ryan is responsible for the global business strategy and execution for the company across three pillars of expertise, investments, operations, and technology. And, of course, you also serve on SEI's board of directors. His 24-year career at SEI includes 11 years in asset management, 13 years in technology across various parts of the businesses, with his tenure evenly split between the US and non-US markets. Prior to being named CEO, Ryan was Chief Information Officer, overseeing the information technology strategy and investment operations for the company. Ryan also previously served as Head of the Technology Unit as well as a Managing Director in the UK wealth management business. Ryan holds a degree in finance from Saint Joe's University here in Philadelphia. He also serves on the board of directors of the Philadelphia Alliance for Capital and Technologies. Ryan, congratulations on all your success.

Ryan Hicke: Thanks, Rob. Whoever provided you that bio has a lot of nice things to say about me.

Robert Morier: It was not in one place. I had to go to a lot of different places to make it sound good.

Ryan Hicke: You put that together. Well done.

Robert Morier: I did. I did it. Well, it's good to see you. We were talking off camera before this started. We've known each other a long time. It goes back to our days in London, but we're both from the Philadelphia area. But I was thinking about how it all started for you. You're one of the few people that I know who's been at one company for a very long time and has really grown up through that company over many years. So as you think about now sitting in this top job as CEO, what are the milestones in your career that stand out as you think about coming out of St Joe's and now coming into the seat at SEI?

Ryan Hicke: Yeah, Rob, I think when I look back, and I get this question a lot when people ask me about career navigation, and it was never all mapped out. So that's the first thing I tell people that there was never a 5 and 7-year plan. I think I hit natural inflection points in my life and career that a lot of us do. But the biggest one would have been my third year at SEI. I actually interned at SEI while I was at St Joe's. And then I was here full-time for 3 years. And you know, I don't know, Rob, if everybody-- if you had it, but a lot of people get that kind of 24, 25-year-old, you've been in the role for a few years, you figure out might want to try something different. And I had no aspirations around global. I am a Philadelphia guy, born and bred. I had not traveled extensively throughout my life. But an opportunity came up in 2001 to be an internal sales executive as we were building out our global office in London. And I just looked at that as a really interesting opportunity. It was supposed to be 18 months. I ended up being over there, as you know, for 11 years. So I'd say the most important decision in my career was really-- and I don't know if I would say I was conscious about how big the risk was, but it was a big risk, right? I was uprooting everything. I was leaving, and I luckily at that point I wasn't married to Terry. We didn't have any children. So it was almost like a risk-free move from that side. But that really opened my eyes, Rob to the world, to be honest because like I said, I'm born and raised Roxboro guy. There were 12 people in the office then, so I was the 13th person in the office. And you just learned everything about the company, everything about a different market. It was just fun. It was energetic. It was exciting. It was daunting. I was insecure about whether or not I was going to be able to add value. I would say then the second one that was the most important was after I had come back from the UK in 2013, I had a couple of roles. I went back and forth to the UK for about a year and commuted. That was fun. For lack of a better term, Terry really held down the fort. But then for those that don't know, the chairman, founder, and previous CEO of SEI, Al West, so I've reported to Al for years. He's an amazing person. But Al sat down with me one day in 2014 and we were talking about career. And he said, I want you to go run technology. And I literally was like, that might be the dumbest idea I ever heard. And I'd always been a market guy. I'd always run sales and run a P&L. And I was thoughtful and said-- you know I have a tremendous amount of trust in Al and said, you know, why? And this was nine years ago, Rob. And he said, I think all the business leaders of the future have to be grounded in tech. And he has amazing vision. I look back on that and what seemed like a very basic sentence then was, kind of, a pretty visionary statement. So I think also my willingness to trust that somebody maybe knows better about my future than I do, and I always believe that about Al. So I went to do that job, and that was one of the most challenging yet fulfilling roles I ever had to do at SEI because I'm going into a world where I literally was a novice. But that was an advantage because I didn't look at the world the way that the engineers looked at the world. I didn't think about things the way typical software executives may think about things, and the team was terrific. They embraced my movement there. So if I look back 24 years and I had to pinpoint two things that had I said no would have never, ever, ever allowed me to ascend and get to where I am today in this company.

Robert Morier: That makes a lot of sense. I think it's hard for a lot of people early on in their careers, to use your words, to overcome those insecurities, because there's no shortage of them. You either are uninformed about something that you didn't study in school or you haven't been a part of, but I think a lot of times team collaboration and culture can overcome a lot of those insecurities for lots of employees. So as you're taking over from Al, as you said, when you think about the firm's culture, it's always had a very unique and distinct culture in our industry. When you go into SEI's offices for the first time as an outside person, it stays with you. So when you think about that torch of culture that you've now taken from Al, do you see going in any different directions, or do you see adding anything new to that fire?

Ryan Hicke: I do, Rob. Culture has to be nurtured, and it has to be constantly challenged and refreshed. And we have a special one, and I'm sure everybody else who is a leader of any organization believes they also have a special one and they should. So I think ours required three different plans of attack, if you will, the last 12 months for right or wrong because we grew so much. We're $2 billion in revenue and we're 5,000 employees. We, I believe, became very vertical in certain parts of the company. And some people use the phrase siloed, and that had a negative connotation. I don't think that had a negative impact on the company. But I tell this to people all the time, Rob, somebody asked me one day, how do I think about myself inside of SEI? This was years ago. And I was taught this by a previous boss, and he said, you always had to think of yourself in the hierarchy of company team self. And if you do that every day, you'll do great things. And we're really trying to reinvigorate the idea that everybody as part of one single SEI. And we're doing that internally and externally because I believe the market and a lot of the executives of our clients really only know SEI for the unit with which they interact, and they don't know the totality. So I want all the employees, and that's manifesting different strategies, Rob, around internal mobility. We want to start moving talent around the organization a little bit more aggressively. And then there are elements of the culture, Rob that I will protect relentlessly. So a lot of people talk about SEI and they reference the flat hierarchy and the physical manifestation of that. If you've been here, and you can see right now, there's two people sitting on either side of me right now. We don't have offices. Everybody sits in the same desk. It's all open plan, but we don't have a flat hierarchy, Rob. It's an $8 billion market cap company. We have an executive committee. We have 5,000 people. The hallmark of our culture, though, is accessibility. Everybody is accessible. So when I would walk down the hallways and somebody would say, hey, how are you? I would stop and talk to them. And if that person wanted to go have a coffee, I would make time for that. And that is a culture that I want. That's how I grew up here. And I believe in that, and I believe you are never bigger than the company no matter what your role is. I believe you are never more important than the next employee that we hire. And that is the type of ethos and the value chain that we're trying to drive through. And then the last part, Rob, is we got to get back to a little risk taking. I want our employees to be courageous. I want them to behave and think like entrepreneurs. And I want them to know that there's people like you, me, and other people out there that have been through things that we can act as advisors, not mentors and coaches and help them along the way. But I want people to embrace the idea that failure is OK. So some of this, Rob, is us going back to really some of our roots of how Al set this all up. And I'm not saying we lost our way. I just think we outgrew some of those things, and I really want to bring those back.

Robert Morier: That's great. Ryan, I appreciate that. Actually, current events have been quite interesting. So one way maybe to ask you about it is in terms of risk management. You do have a chief risk officer, but you're talking about risk taking. So how do you balance risk management, enterprise risk management oversight with the risks that are necessary as a publicly traded company to continue to grow?

Ryan Hicke: I think that's a terrific question, Rob. So not only are we a publicly traded company, we're a highly regulated company, right? So that's an extra kind of challenge that we have when we think about risk. And we have an unbelievable fiduciary responsibility because we are protecting the assets of so many organizations and underlying clients across the globe, and we take that responsibility very, very seriously. But I think we are doing a consistent and constant job of making sure that we invest in things that protect the company and make sure that we are on the right path from a risk management perspective, but that we're also trying to make sure that we're looking at those things through the right lens. And what I mean by that is when we talk about opportunities to launch new businesses or we talk about doing things to service our existing clients that we don't do today, we're always trying to think about that with a medium to long-term lens. So we, as you know, are not very reactionary. We are a public company. We care passionately about how our results are going to be. But we really run the company with a medium to long-term lens. And we really-- we care about sustainability. We care about the longevity of this business, the success of this business. So I think when we think about risk management, we tend not to do things in a knee jerk fashion. So we're a little bit more thoughtful.

Robert Morier: Well, one of the areas of your business which has really done well over the years is your outsourcing, so outsourcing operations and technology. I've always found very interesting because you made a tailwind for what is arguably a headwind for many asset managers in our industry. So can you take us through the business lines of operations and technology where you're looking to make some of those enhancements, maybe digging a little bit more granularly, kind of, coming from the risk management side and then into the practical application as you're thinking about the expansion of that outsourcing business as it's expanding and it seems like a breakneck pace?

Ryan Hicke: This is not a practiced answer, Rob. This is something I have actually said for probably 15 years when I was selling. At the core of SEI, our value proposition when we're really successful with a client is we are helping that client more intelligently deploy their capital to grow their business. And those words are pretty carefully chosen because capital, as you know, isn't just money. It's talent, it's time, it's resource, it's focus, it's attention. They're consuming. And where we are the most successful is when we are partnering with organizations who have made a conscious decision that their capital is more effectively deployed in other areas to grow their business and they rely on SEI to do all the things that we believe they shouldn't even be trying to do because it's all we do every day. So if you just pick a random, and you know we have probably the most blue chip names and we're really fortunate for that. I was actually just out at our investment manager services client conference, and I'm not exaggerating, Rob. It might have been the most proud I've ever been to work at SEI. Forget the CEO, I mean, just to work at SEI because they were super engaged. They are very, very happy with our service, but they genuinely see us as strategic partners. But if you just pick like one of the big alternative shops, they are thinking about how to go raise capital for their next fund. They are thinking about how they're going to differentiate in the market, and they may be doing things that are more sophisticated and complex with the fund structures. But we're at that table with them thinking through how we would operationalize that. So how would we do the fund accounting for that? How would we do the waterfall calculation for that? How would we create a service team to make sure that every day those accounts were serviced? And now as you mentioned, we're being asked to deploy more of our technology. How do we give them more data and information to look across all of their clients even if we are not the custodian or administrator of those funds but we can aggregate that data? So they're really relying on SEI to provide technology and people but in areas, Rob, where I think they have consciously decided yes, they could go get that talent or do it themselves, but why are they doing that when we do it all day every day? And they're growing faster than their competitors because they're focused on client acquisition, client service, investment management, portfolio management, creating alpha, and it's just-- it is a great win-win partnership. And I'm not saying, Rob, we have that relationship with every single client we have across the continuum, but they're the ones where it is truly a win-win. But if we can't get the firm to articulate-- like I had this conversation with a salesperson last week, and I said, if you can't get an organization to explain where they believe they could accelerate growth if they had more capital, we're probably in the wrong room. And you know this, Rob, from the business. Some firms believe their value add is owning the tech in operation. I will argue I don't think that's the right case. Of course, I wouldn't believe that. But if they believe that's their differentiator, just like if an investment advisor believes her differentiation is choosing investments, they're not a good fit for us, but it's her business. That's her choice. So it's fun. When we get it, when we're in front of the right executives at our clients who are thoughtful about their growth strategy and see why they should be partnering with SEI and where we can really help them, that's probably why we've been around for 55 years.

Robert Morier: Yeah, Ryan, that makes a lot of sense. I appreciate that. Well, Dakota's audience is made up of investment sales professionals and asset allocators. So one of the areas that I know a lot of our listeners are very interested in is your growing outsourced CIO business. So as you think about, again, coming into the role, you're coming up on your one year anniversary as CEO, so as you think about the outsourced CIO platform, where do you see the expansion as it relates to, let's say, separate accounts or even private market solutions in terms of the OCIO business?

Ryan Hicke: So I'd answer that Rob in a couple of ways. You already kindly articulated. We believe the company is built off three pillars-- technology, operations, and investment management. But historically, Rob, we have almost, and I'm not going to use the word, we've packaged those things into solutions where they were tightly bundled and took them to markets and we were super successful. I think what we have seen in the last 3 to 4 years is a demand for unbundling some of those capabilities. And what I mean by that is OCIO 5 years ago used to mean we'll manage that whole pension scheme. We'll manage that endowment. And little by little, we have offered, I think, more choice to our clients, especially based on size and customization needs that they have. Clearly, the growth of alternatives if you mentioned. So the growth of private assets in these portfolios is here to stay in my opinion. It is definitely-- I use this phrase a lot, it's not trendy. It's a trend. It is here. But I will tell you the one thing that's interesting, Rob, when we think about that business, that was always almost exclusively an asset management value proposition. We are starting to see more demand for some of our technology capabilities, especially around data analytics, performance reporting, information delivery. And as you know, Rob, we have those capabilities a lot in our banking side of the business. So we're trying to expose those to the institutional OCIO side. We made an acquisition in 2021 of a company called Novus. So that has a lot of relevance to allocators. And it's interesting,\ - we had a firm in a few weeks ago, and they were looking to rely on us not just for asset management, but for more operational help. So I think this trend of trying to meet the client where they are, if that makes sense, Rob. Instead of saying this is the solution, kind of, take it or leave it. I think we're starting to take a different mindset of almost more of a digital storefront and saying, we have all these capabilities. We don't want to turn into an a la carte menu. We know what our value proposition is. But if a client wants to start to engage with SEI on the OCIO side for technology capabilities and then start talking about asset management one day, we're open to that because we have confidence that the more that they work with us, the more credibility will gain in that organization. So I think it's this, kind of, interesting gray area, Rob, where it's not going to be total customization, but we've got to provide choice.

Robert Morier: I think it's just interesting. I think what happens with a lot of businesses— well, you've been— obviously, SEI has been in business for a long time, so it's had the ability or it's maintained the ability to be able to offer different solutions in a very high level way, which we've seen, at least I've seen on my side, from an asset management perspective when asset managers are growing and getting into new areas of the business. I think a lot of times it can be rushed. And when things are rushed, you don't get a full sense maybe of the asset class or the nature of the asset allocation balance within your own business. So when we think about the characteristics of at least Dakotas partners, I'm just curious, what characteristics are you looking for in the partners? Look, let's just take Novus, for example. That's an acquisition that happened in 2021. If you're bringing on an asset manager, getting back to the investment management pillar, if you're bringing on an asset manager, what are the characteristics that you're looking for as it relates to SEI's business?

Ryan Hicke: I think that's a great question. So for the audience that isn't familiar, we, kind of, overlap in areas. So we are an outsource provider to asset managers, right? So we have a lot of traditional and alternative asset managers that have chosen to outsource their technology and operations. But we are also a manufacturer. So SEI manages about $250 billion but in mostly sub-advised. So we may own the fund wrapper, we may own the SMA, but it's third party asset manager. So what I think, if I'm going down to the lowest common denominator, Rob, of granularity, we're looking for asset managers that have conviction, that have conviction around where they add value, why they are differentiated. And that may be in a very specific asset class. That may be a very specific asset style. And it's our job and has been our job to figure out how with our-- we have 100 people in our investment management unit, how do we package some of those things together in either individual sleeve solutions or total portfolio asset allocation solutions? But I think if you got somebody like Jim Smigiel, who's the Head of our Investment Management Unit on, he would say our manager research team is really looking for organizations that not just have a good track record, that's great, but they have very clear conviction about why they succeed when they're not going to succeed. We didn't bail on all of our value managers 2 or 3 years ago. That served us well the last 12 months because we stick to our knitting as well as saying we believe in asset allocation. We believe in diversification, but we like the managers that stick to their guns about why they add value, both in the alt space and the traditional space.

Robert Morier: It makes a lot of sense, Ryan. Thanks for clarifying that and clarifying that for the audience as well. Well, I know we're getting close, and I did want to ask you, you're nearing your first full year as I mentioned before as CEO. Congratulations. It's an interesting time. Obviously, we don't have to cite anything specific in the news, but as you're thinking about shareholder and the way it used to be described as shareholder supremacy, so those days of the Jack Welch type of leadership, do you think those are behind us? Is there a new standard of leadership rising up now from the CEO seat? And if so, how are you going to navigate those waters?

Ryan Hicke: Well, I think it's obvious that the last few years, I think, the role of the CEO has obviously changed from people wanting commentary on social issues to thinking about a broader, to your point, instead of it's moved from shareholder management to stakeholder management, and the constituents there are kind of a broader set. The flip side of that, though, Rob, the job at the end of the day is to have clarity around where the vision of the organization should be to be a thoughtful and engaging and listening leader and making sure that-- ego is the enemy in this job, man. It is the absolute enemy. If you think you are the smartest person in the room, you are going to fail moving forward. And that's not just the classic surround yourself with people that are smarter than you. That is really making sure that you are listening to all the different types of diverse population that you have in an organization. About 30% of our workforce, Rob, is under 28 years old. Well, I need to listen to them, right? They are going to have a voice around what hybrid work means. They're going to have a voice about what they want our carbon footprint to be. You know me personally. I mean ego is just the enemy here. You've got to be a humble, thoughtful person. But then you need to be able to flip the switch and be decisive and say, OK, I listened, we took feedback, we did some research. This is where we're going. And you've got to be really driven that you're staying on that mission. I'm really fortunate because we have a tremendous chairman and founder now of a very supportive board. And look, at the end of the day I know what I'm held accountable for results. But if we believe strongly that we are doing the right things, we don't really mind what goes on in the macro environment. We'll weather the storm. We believe a lot of these things are cyclical, and we're going to stick to our investment principles. We're going to stick to our values. And we actually think these times end up benefiting us because we continue to run the business and operate the business pretty aggressively. We don't decamp. We don't run away, and we tend to come out the other side of a lot of these things stronger because we didn't stop investing and we didn't stop engaging our clients. But ultimately, I think the role of leaders, Rob, moving forward, is going to continue to change dramatically. The days are gone of somebody, one person going in a room and saying, yeah, this is how we operate. I don't believe in that nonsense anyway, but I just don't think it works anymore.

Robert Morier: Go back, before we started recording, talking about basketball if you just go back to basketball, it takes five people to win a game. So it makes a lot of sense.

Ryan Hicke: It does. And to continue that analogy, though, you need five people that truly just care about the scoreboard at the end and not their stat sheet. And it's funny, Rob. That's the culture we're trying to foster because one thing I do believe at SEI, we're trying to bring the swagger back.

Robert Morier: Has that been trademarked yet?

Ryan Hicke: No, but I could take that. I'll take that one. But, I mean, Rob, as you know, yeah, we have multiple sales leaders across SEI, but when we walked into a building and it was a competitive situation, our competitors might have been in the lobby, they didn't want to see SEI walk in the room seven or eight years ago. In the IMS space right now, our competitors don't want to see SEI walk in the building. And I want that confidence, but that confidence anchored in humility to come back. It's about winning but not caring who gets the credit. We're really fortunate because that is Al. That was Al's personality, and I think a lot of us grew up that way, so it's natural for us, not natural for everybody. But I think that-- when you get that going inside an organization, it's super fun.

Robert Morier: Well, confidence anchored in humility I think is a good place to leave off. I really appreciate this. It's been a pleasure seeing you again. It's been a pleasure learning more about SEI and your new role in a company that you've been with for a long time. So I'll say it again, congratulations on all your success. We wish you the best of luck.

Ryan Hicke: Thank you so much for having me. I look forward to getting you out to Oaks or out for a beer or coming down to see you in the city. I hope you and the family are all doing well.

Robert Morier: Yeah, same and same with yours. Well, if you want to learn more about Ryan and SEI, please visit their website at www.seic.com. You can find this episode and past episodes on our website at www.dakota.com as well as Spotify, Apple, Google, or your favorite podcast platform. We will be available on YouTube if you prefer to watch while you listen. And again, Ryan, thank you, and I look forward to seeing you soon.