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## Reynolds's Putnam Makeover Takes on Familiar Look

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As **Putnam** CEO **Robert Reynolds** puts his stamp on the firm, one theme that has emerged is how much the company is beginning to resemble that other, larger, Boston firm where Reynolds used to work.

In fact, since joining Putnam last summer, Reynolds has brought on no fewer than 10 executives who either came directly from **Fidelity** or worked there at some point in their careers with him.

While such recruiting patterns are fairly typical in the investment management business, some question the wisdom of going to a single well too many times. If too many new hires are brought on from the same company, the reasoning goes, it can alienate existing staff and jeopardize company morale. Worse, it can limit the diversity of ideas being imported into an organization, industry consultants say.

Still, Putnam was in dire need for a dramatic overhaul, which is why Reynolds was brought on. The firm was tarnished by the mutual fund scandal earlier in the decade and has struggled with lingering performance problems since.

“There isn’t a lot Bob Reynolds has to protect,” says **Laura Lutton**, director of fund analysis at **Morningstar**. “We certainly view the firm as being in a rebuilding phase,” she says.

Industry observers say that, with Reynolds at the helm and the market in a state of flux, Putnam faces its best odds in years to buff up its beleaguered brand and bolster staff morale. Success will depend, however, on how well the company can develop its culture.

Putnam’s culture has been rapidly evolving over the past decade. Under former CEO **Larry Lasser**, Putnam developed an aggressive sales culture that some blame for leading it into its regulatory troubles. Under **Ed Haldeman**, who joined the company in 2003, Putnam’s culture focused on reform. Now under Reynolds, the focus appears to be on [building the retirement business and research capabilities](#).

To that end, the most recent Fidelity alum to join Putnam’s ranks is **Benjamin Lewis**, who has been brought on to lead its retirement plan sales and relationship management efforts.

Putnam spokeswoman **Laura McNamara** acknowledged that many members of Reynolds’s new guard have worked at Fidelity but added that others have not. Portfolio manager **David Calabro** comes from **MFS**, while portfolio managers **Gerard Sullivan** and **Robert Brookby** joined from **American Century**. **Daniel Farrell**, head of equity trading, joined in December from **RiverSource**.

Still, analysts say that in a market where talent is bountiful, many will be watching to see how the once besmirched Boston-based Putnam will be able to balance an influx of new personnel.

“By raiding talent en masse from the same firm, you run the risk of destabilizing the existing culture of a company and not allowing a new culture to emerge,” says **Lisa Cohen**, CEO and principal of **Momentum Partners**, a firm specializing in market research and product development located in Medfield, Mass.

For one thing, bringing in hoards of people from a single firm can be unsettling for company veterans, she says.

“People feel vulnerable,” says Cohen. With so much focus on cutting fat out of budgets across the board, firms overlook the importance of identifying their most valuable employees and recognizing them for their contributions. By failing to do so, firms that bring in legions of new faces to help with a turnaround risk pushing good, loyal employees out the door to seek new opportunities once the market recovers.

Employees also need “to adjust to a new boss and prove themselves all over again,” says **Bill Nichols**, an independent marketing consultant and Putnam alumnus.

Firms that seem to be targets of talent raids likewise need to be mindful of the effect not only on their business, but on morale. “Firms losing professionals need to react as quickly as possible,” says **Jeff Visithpanich**, principal at **Johnson Associates**. “By not saying anything, you are shooting yourself in the foot,” he says.

Fidelity, for its part, chalks all of the recent changes up to the normal ebb and flow of talent in the fund business. “People leave companies for different reasons,” says spokesman **Vincent Loporchio**. “We have a strong executive team here and the ability to attract high-quality executives from the outside.”

Indeed, Fidelity, which employs more than 40,000 people and underwent a [leadership shakeup of its own](#) roughly two years ago, has a broad network of alumni working in shops throughout the industry. It recently hired higher-ups from **Goldman Sachs**, **ING** and elsewhere. Visithpanich says that hiring companies must be sure to communicate changes within the organization to avoid culture clashes and ensure that longtime employees do not develop resentment toward newcomers they may perceive as taking opportunities from them. “You want to have the small battles now, as opposed to a huge battle at the end of the year,” he says.

Companies that are hiring generally have a positive message to send, says Visithpanich. Even if employees at first may feel they have been passed over for a promotion or position, companies can show staffers they are committed to strengthening and bolstering the existing businesses, which can help head off an exodus of veterans. A better business also generally means a bigger payday for everyone at the firm. “Telling people you will have a smaller percentage of a bigger pie is usually a positive message at the end of the day,” he says.

The bigger threat of pulling too many new recruits from one source is a lack of creativity. “This market is really an opportunity to do everything differently,” says Momentum Partners’ Cohen. “From a hiring perspective and an across-the-board perspective, it’s a chance to step back and say, ‘Let me revitalize my business,’” she says.

Drawing from one talent pool risks limiting the number of new ideas or fresh perspectives that companies looking to rebuild their brands and cultures desperately need. “It’s really a lost opportunity,” she says.