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Smaller finance firms lure talent

Some professionals find the culture and red tape of big employers stifling

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By ANDREW D. SMITH/ Special Contributor to The Dallas Morning News

Ask David Spika what distinguishes the culture at large and small investment companies, and he talks about marketing brochures.

When Mr. Spika worked at Bank of America and wanted to assemble materials for potential clients, the process could take weeks.

BRAD LOPER/DMN
David Spika, a former senior vice president at Bank of America, says he prefers the challenges - and the satisfaction - that a smaller firm offers. He is now the investment strategist for Westwood Holdings.

First, he had to consult executives in New York, Charlotte and, sometimes, St. Louis. Next, he had to synthesize their conflicting ideas. Then he had to circulate a prototype, get feedback and make several revisions.

Now that he works at Westwood Holdings Group, a small Dallas company where all decision-makers sit within a few feet of one another, brochure assembly generally takes less than a day.

"When you're at a company with 25,000 employees, you deal with red tape," said Mr. Spika, Westwood's investment strategist. "When you're at a company with 47 employees, you get things gone. It's much more satisfying."

Different cultures

Such cultural differences – along with the solid economy and the spate of Wall Street scandals – have led thousands of executives to trade positions at massive financial conglomerates for jobs at much smaller firms.

Indeed, a federal survey of the financial services industry shows that employment at offices with 500 or more people fell from 1.6 million in 2000 to 1.4 million in 2004, while employment at offices with fewer than 20 people rose from 2.6 million to 2.8 million.

As Mr. Spika demonstrates, many people prefer a small-company culture.

"At Bank of America, I felt like a tiny cog in a massive machine," he said. "Even though I was a senior vice president, I was one of hundreds of senior vice presidents, and I never felt my efforts could make a lasting mark on the whole company. At Westwood, I affect the company every day."

Of course, cultural differences cut both ways.

For every person who hates red tape, there is another who appreciates having clear guidelines. For every person who loves being a vital employee, there is another who loves going home at 5 o'clock every evening.

And then there is the risk

"The smaller the firm, the greater the risk for its employees. When you're an employee at a huge firm, your boss gives you work to do. When you work at a small firm or your own firm, you have to sell yourself. You have to find clients or you can't feed your family," said Bill Abrams, who founded his own company, the Los Angeles law firm Abrams Garfinkel Margolis Bergson.

"I got numb to the fear after a while, and I wouldn't go back to a big firm if you paid me, but that's a matter of temperament. There are a lot of risk-averse people out there, and it makes no sense for them to keep themselves up at night by leaving the security of a large business."

Economic cycles

The perceived risk of smaller firms changes over time. When the economy takes a dive, more people stick with larger companies. When the economy hits a hot streak, more people take the small-business plunge.

"It's perfectly cyclical," said Jeff Kaye, chief executive of Kaye/Bassman International, a Plano-based executive search firm.

Despite the familiarity of the trend, Mr. Kaye does see something new this time around, something that may strengthen the migration to smaller firms and lessen the eventual backward flow.

The spate of corporate scandals may tarnish the larger firms for some time and tip the fundamental balance toward smaller firms.

"Marsh. Aon. AIG. Andersen. The list is endless," Mr. Kaye said in reference to insurance companies Marsh & McLennan Cos., Aon Corp. and American International Group Inc. and accounting firm Arthur Andersen LLP.

"These were blue-chip companies that landed business with their reputations. Now that so many reputations are tarnished, less business will go to the big firms and more will go to their smaller competitors, which have mostly escaped unscathed."

A place to learn

As much as economic cycles can determine whether people choose large or small employers, life cycles also play a big role.

In financial services, younger workers have little choice but to work for very large companies.

Most large firms have extensive training programs for recent college graduates. What's more, the size of their operations ensures that new employees can do little damage as they learn the system.

Small companies, on the other hand, generally have no training programs and no patience for employees who cannot hit the ground running. Westwood, for example, generally refuses to consider inexperienced applicants.

"I came out of college knowing that I wanted to start my own company, so I talked to every person in the industry who would take my calls and I asked them what was the best way to

start," said Burk Rosenthal, managing partner of Fort Worth-based Rosenthal Retirement Planning. "Every single one of them told me to work for a big company and take full advantage of every class and every training program offered.

"I couldn't have gotten better advice. I love running a small company, but I could not have done any better than to learn the ropes at a big company first."

E-mail businessnews@dallasnews.com

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