Fund Industry Marred by Nepotism: Poll

By Danielle Sottosanti, *Ignites*, June 19, 2013 [subscription required]

The fund industry has its share of family-dominated firms – including Franklin Resources and Fidelity – and a high proportion of *Ignites* poll respondents perceive it as a form of damaging nepotism.

Roughly 44%, or 117 respondents, say nepotism "prevents some of the best from rising to the top" in the industry. That was the most popular individual response to the poll as of press time Tuesday, at which point 264 readers had voted. Click here to vote in the ongoing poll.

A total of 35%, or 92 respondents, see the question of whether or not nepotism exists only as a matter of perception.

On the other hand, 21%, or 55 respondents, do not consider nepotism to be an issue at all.

These sentiments come after some of the biggest firms have undergone reorganizations, in which senior-level positions have gone to family members of the firm's founder.

* * * * *

When making these appointments, publicly traded companies such as Franklin face more stakeholders to satisfy than private companies such as Fidelity, points out Niels Holch, executive director of the Coalition of Mutual Fund Investors.

However, the question of nepotism matters more within a firm, among employees, than to shareholders, experts say.

It is not an issue for most investors, according to Holch. "While there may be a perception problem within the industry with certain family members and their roles, the bottom line for most investors is performance," he explains.

* * * * *

Additionally, firm leaders may appoint family members to alleviate succession fears, Holch notes.

"Some fund firms may be concerned about maintaining the culture of the firm after the founder steps down and so appointing a family member to a position of responsibility may be part of a succession plan, similar to what Warren Buffett is doing at Berkshire Hathaway," he explains.