Now a Standalone Shop, Allspring Redesigns Values, Operations

By Lisa Fu November 22, 2021

After more than eight months of work, **Wells Fargo** has closed the deal that emancipated its asset management unit from the bank. Wells Fargo Asset Management, now under private equity parents **GTCR** and **Reverence Capital Partners**, has since reintroduced itself as **Allspring Global Investments**. But the work has just begun for this new asset manager.

"We're emerging as a new firm at scale," CEO **Joseph Sullivan** said. "We get to reinvent ourselves where we think it's important to do so, at a time when the rules are changing."

The asset management industry and the world are facing "a lot of disruption" from issues like climate change, the energy transition needed to meet net-zero emission goals, and an increasing focus on diversity and inclusion, Sullivan said. Clients, employees and regulators care about these issues and expect asset managers to "be a force for good." Now, the manager, which has more than $587 billion in assets, can use the spinoff as a catalyst to "redesign itself with those changes in mind," he said.

Seeking to Do Good

CEO Joseph Sullivan

Allspring intends to be a company has an impact, aligned with the goals its clients and employees have, in addition to financial performance, Sullivan said. Environmental, social and governance is "critically important," and the firm does have senior executives that are "front and center" of those issues, but it's still "very much in the process of figuring out and ascertaining" how to best express its commitment and desired outcomes related ESG, he added.

Allspring's management is also assessing how it has been doing business so far and what should be improved as it opens this new chapter.

“We’re going to take a step back and reflect on distribution a little bit,” Sullivan said. “We believe we can do much more — that’s the good news. Now, we have to figure out what’s keeping us from doing it.”

The company is currently evaluating its strategies, investment performance, investment vehicles and distribution channels to decide whether it is already organized in the right way, according to Sullivan. The firm plans to add headcount, particularly in the distribution area, and build up a “more meaningful presence” internationally and in the U.S. independent registered advisor channel, he added. Hiring an Asia-Pacific chief is also in the cards.

“We’ve got plenty to distribute,” Sullivan said. “I expect we’ll be adding people. I expect we’ll be probably moving some things around.”

The firm is also looking at opportunities to take what the “investment teams do at their core and create extensions to those… products,” Sullivan said. This may involve bringing additional teams on board to fill gaps on existing teams or as standalone groups.

Allspring declined to provide a breakdown of the firm’s assets under management by asset class.

A New Kind of Challenge

Though the former CEO of Legg Mason led a handful of acquisitions for the multi-affiliate shop and ultimately helped the firm merge with **Franklin Templeton**, he said positioning Allspring as an independent entity is a different challenge.

“Here, you’ve got something coming out into itself,” Sullivan said. “It’s a very different type of work. Frankly, I think it’s a bit hard because we have to create much of what we are — we have to [establish] certain areas and certain shared services ... that we participated in [with] our parent before.”

For example, Allspring will now need its own human resources department, legal department and technology, even if it is bringing on some employees from Wells Fargo. The good news is that unlike a merger, where the combined firm has two groups of employees doing the same function, Allspring will not have to decide which team to retain, he said.

A line of business that spins out from a parent company tends to face more challenges than when an autonomous affiliate separates or a merger occurs, said **Daniel Celeghin**, a managing partner at **Indefi**. A business that had been fully integrated in the parent company now needs its own licenses and registration after relying on the parent for years and set up those departments its former parent company provided, he added.

“The hurdle to actually get it done is higher,” Celeghin said. “There’s more work upfront.”

While rebuilding after a separation is challenging, there are some advantages to being forced to rebuild some divisions, said **Andrew Elko**, associate director at management consultant **Alpha FMC**. Not having existing licenses and contracts means the firm can start from scratch, rather than continuing on with legacy systems that may not have fit the new asset management firm's needs.

"You can customize things, you could do things in a more efficient manner," Elko said. "If people didn't like their general ledger system or they didn't like their procurement system, well, now they can move over to something new."

Sullivan sees the fresh start as an opportunity to support teams with more tools, technology and data analytics. The pandemic has forced firms to accelerate technology efforts both in terms digitizing the client experience and making internal processes more efficient.

Solving the Challenge, Remotely

Asset managers have had to draft return-to-office procedures as part of their overall business planning, and some have opted to shift their operations out of traditional money centers. Allspring is moving away from San Francisco, California, where former parent company Wells Fargo has had its corporate headquarters, and has set up shop in Charlotte, North Carolina.

But the change in headquarters is unlikely to affect the day-to-day lives of most employees.

"I don't think there's a single person that's relocating, [but] it's not to say we won't be open to it." Sullivan said. "I'm used to having someone who I've worked with for 27 years about 10-feet away. Now, my colleague who's going to support me is going to be about 1,000 miles away. We'll make it work."

Allspring intends to move forward with a decentralized organizational structure and a hybrid working strategy that allows for employee flexibility around working in-office and at home. The company has not "done any streamlining at this point," and does not currently intend to cut headcount.

There tends to be less employee anxiety related to job security during a spinout, than mergers, Elko said. If anything, the conversation will center around adding staff or what to do about functions that had previously been outsourced, he added

The current employee base gives the firm a "running start," Sullivan said.

"During my time with Legg Mason, we had a decentralized structure as well," Sullivan said. "I do prefer flatter organizations than hierarchal organizations. I just feel like that flatter structure tends to be more efficient and more effective and have a greater speed about it."