



## The Headhunter Lowdown On Morgan Stanley

Avital Louria Hahn  
(avital.hahn@sourcemediacom.com)

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To hear Morgan Stanley tell it, its bench of talent is so deep that all the recent upheaval at the top echelons of management will not hurt its franchise. With more than half of the firm's managing directors at the firm for more than 10 years, senior talent is plentiful, a spokesman says, and attrition this year has actually been lower than normal. But Morgan Stanley has converted precious few Wall Street headhunters to its point of view; indeed, these specialists in the front lines of Street hiring and firing say that such happy talk flies in the face of the severity of Morgan's recent losses, not to mention the raids the firm still faces.

The only headhunter interviewed who gave any credence to the not-a-huge-deal front was one whom Morgan Stanley uses for searches. "In any given year, you lose 10% to 15% of your people," the recruiter said. That may be true, others pointed out, but executives such as Vikram Pandit, the former head of institutional securities who left in late March, and Joseph Perella, the legendary investment banker who left in April, are almost impossible to replace.

Meanwhile, the poaching seems far from over. Once extremely reluctant to take phone calls from recruiters, Morgan employees now rush to the phone, one recruiter said. Another added that rival banks are so confident of their ability to recruit out of Morgan Stanley that he has "orders for entire team liftouts."

Then there is the flip side of that equation: trying to fill the empty spaces at Morgan Stanley. According to yet another search professional, it is not an easy task to recruit for the firm these days. For one, given its top-tier reputation, Morgan Stanley is usually limited to recruiting only from other top-tier or bulge-bracket banks. Those include Goldman Sachs, Lehman Brothers, Merrill Lynch, UBS, Deutsche Bank and Citigroup, which each offer different pockets of strength. Lehman, UBS and Deutsche Bank, for example, have solid fixed-income trading expertise. UBS is known for its derivatives trading. And CSFB and Lehman may be good poaching grounds for corporate finance, the recruiter said.

The problem is that bankers are hesitating to join Morgan Stanley at all right now. "It has been a negative body count," the recruiter said.

### Targeting former employees

A good recruiting strategy for Morgan Stanley would be to go after former employees, said **Linda Bialecki**, president of **Bialecki Inc.**, an executive recruiting firm. "Morgan Stanley has a great culture and cares deeply about maintaining it," she said. "Looking for people who have left and who Morgan was sorry to have lost is a great recruiting strategy because it minimizes the risk on both sides."

A firm spokesman said that while Morgan Stanley does not always choose to replace departed employees, it has had no difficulty hiring a number of senior executives recently. Among them are David Heleniak, former senior partner of Shearman & Sterling, who joined as vice chairman with oversight for the legal division; Dante Rossini, a senior capital markets banker recruited out of Merrill Lynch's European operations; and Nick Wiles, a former vice chairman of JPM Cazenove and heir apparent to Cazenove in the U.K. In addition, the firm has hired seven directors in

its equities division from various banks, including Goldman and JPMorgan, the spokesman said.

Overshadowing all the comings and goings, of course, is the pivotal decision that will affect the firm more than any other going forward: Who will run Morgan Stanley? The decision on who will replace ousted Chief Executive Phil Purcell is a ticklish one (see lead Out Take on p. 6), but a positive choice would make recruiting for the firm much easier, said a search consultant.

Meanwhile, rumors and subsets of rumors continue to swirl around the CEO issue. According to one analyst, Morgan Stanley's board hasn't named an interim CEO for a reason: to give potential bidders the opportunity to express interest. "They left the position open so that anyone with interest to buy the company would contact them," said Richard X. Bove, analyst with Punk Ziegel & Co.