PURPOSE BEFORE PRODUCT

The Iron Curtain came up, and Justin Greiner was tasked with selling Coca Cola to the former Soviet bloc.

As you might imagine, selling Coke to Hungary, Belarus and Ukraine - places that, by the way, had a much stronger connection with Pepsi at the time - required some serious in-depth understanding of customer behaviour. And that's something that Greiner, now chief executive of JBWere, has taken with him in his journey from soft drink to management of one of the most venerable private wealth institutions in the country.

Greiner found himself working at Coca Cola, interestingly enough, after failing a subject in his accounting degree at the University of Technology in Sydney. "That was a little problematic in the second year," he says, "so I figured maybe accountancy wasn't for me. But there was a core scholarship program going on, and one of the sponsors was Coca Cola Amatil. And I had the great privilege to get a role working for the chief financial officer of Coca Cola Amatil at the time: a guy named John Priest."

Along with selling drinks in Ukraine - "This was a challenge," he says, "because you could get any Coke you wanted as long as it was in 250ml glass bottles" - Priest was busy implementing the idea of economic profit, measured in the form of a company's net profit less the opportunity cost of capital, which led to structural changes in how Coca Cola distributed its products.

"Businesses like Coca Cola had so many different sales regions," Greiner explains, "so it didn't make sense just to compare net profit, because you didn't take into account the role of capital. It's sort of ironic to me today that the whole question of capital continues to be at the heart of financial services. I was fascinated by that idea, and I spent some time working to build a new model for Amatil about how they employed their capital. That actually led to them, for example, owning their own vending machines, which was a big strategic change in the business."

Having felt by this point that he "had some good stories to tell," Greiner went back to university, to do an MBA at Harvard Business School. He spent two years there, and upon returning to Australia, was offered a corporate development role at Rothschild Asset Management, where he began his career in financial services. Although the industries were obviously very different, he sees a strong connection between Rothschild and Coca Cola: namely, that they were deeply customer-focused.

"The thing is," he says, "financial services isn't really about finance. It's about people. It's about helping people achieve their goals; the actual 'finance' of it is secondary to that, or it should be. At Rothschild, there was just this unrelenting focus on the customer.

"Today, we see that more and more in financial services: really understanding the customer journey and how they're making decisions, and so on. Rothschild had a fantastic culture at the time; they spawned a lot of careers in financial services as a result. It was a very collegiate culture. Rothschild played above its weight, against more fancy competitors at the time, because of that culture."

Eventually, though, the decision was made to sell the business. The chief executive, Peter Martin, tasked Greiner with helping him make that happen. This was surprising, as Greiner didn't have much experience in mergers and acquisitions. "I told him that," he says, "and he said, 'That's alright.'"

Rothschild was bought by Westpac for $323 million in 2002, and Greiner made his way over to a new role at that bank. "By that point," he says, "I'd spent time in asset management and platforms, but I'd never really been across financial advice, so it was a new opportunity for me; I ended up running Westpac's financial planning business. I loved it, because I could see the impact we were making on clients." Greiner's tenure occurred contemporaneously with a major transformation program, which included moving from master trusts to wrap accounts, and "even basic things that we take for granted now, like charging for advice."

Having accrued some experience in financial planning, Greiner then decided to try his hand at a startup - Greenway Capital. "It was in the equity mortgage space," he explains, "and we did that for three years. We had a unique model at the time; you may find there's now a digital platform that does what we were thinking about doing, where you take the equity in someone's house and release some of that equity, but not like a reverse mortgage; you take a portion of the ownership of the house. But then the GFC hit."

It was a spectacular case of poor timing, and the experience left Greiner "at a crossroads." Considering his options, he decided the only aspect of finance he hadn't really experienced yet was banking, which prompted him to take on a role at ANZ. There, he took on national responsibility for the private bank.

"It was a good mirroring of my skills," he says. "We ended up doing some transformational work around streamlining the business and then developing the digital strategy. That second bit was fantastic because it ties back into putting the customer first: what do they want, when and how do they want to engage with their wealth. Creating choice for customers about when to see a financial planner, how that ties into using the website; a big part of that was developing the Grow app.

"Everything we did there came down to one idea: if you don't understand the mindset of the client, and you don't understand the journey that client is going on, you will not be successful in financial services. Recognising that does require a rethinking for many organisations."

Greiner left ANZ at the end of 2013, having overseen both private banking and the transformation of the group's wealth management business. It was shortly after that, in early 2014, when he took up his current role at JBWere. As with Coca Cola and Rothschild, Greiner was attracted to the firm's significant brand power and longevity. "If you look at JBWere," he says, "we've been doing this for 176 years. It's such a privilege to work at a place like this, but it also means we have to be conscious of how the world changes, and how clients change, and remain adaptable. We have fourth and even fifth-generation families we work with here, and their needs change over time."

Referring to those needs, Greiner says it's less about changing investment strategies and more about shifting the goalposts. "In my experience," he says, "preferences for different asset classes and investment structures tend to be age-agnostic. There's no set rule there. Investment opportunities come and go. What's really important is how the philosophy and purpose of the family tends to change, especially around the third generation."

As an example, he notes that JBWere "sees a lot more female entrepreneurs now." There is also the perennial issue of intergenerational wealth transfer, especially as it pertains to "different genders, different preferences for digital use and even different ethnicities."

"When we take them on that journey," he continues, "it's actually about starting with what's important to them, before we discuss what that means in investment terms. That can be a much easier conversation when you're a bit older and you have a deeper understanding of your wealth; less so when you're younger and not so sure.

"But that's actually where the conversation becomes very important, because you start to see disparate views. Which means you need to get that structure settled: let's have that conversation early on, because people will have different views that we need to take into account. Some of the next generation will go into the business, some won't, and to quote Joe Hockey, you kind of need to sort out the 'lifters from the leaners.'

"Our message to the matriarchs and patriarchs of the family office is, 'Let's have a conversation about these issues and look at how to get the younger family involved, such as through private ancillary funds and philanthropic foundations.' But ultimately, what's your purpose? What's the impact you want to have? Once that conversation has been had, it's important to focus on governance. We don't want nasty surprises."

The quote

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Eventually, of course, an investment strategy will need to be decided, and that's where Greiner says JBWere's partnership with NAB, and by extension JANA, becomes incredibly useful. "Certainly these days we're seeing a lot more interest in alternative asset classes," he says, "given that we're in a low rate environment. So there's a lot of interest in infrastructure and private equity, as well as venture capital initiatives with fintech companies.

"We're a conservative organisation, so we're unlikely to recommend putting our clients into a specific company, but we do partner across the whole NAB Wealth base and JANA; a sort of 360-degree solution. And through that, we source opportunities that make sense for our clients' goals and risk appetites."

He says that JBWere has a "history of leveraging equities in our income portfolios," a strategy he justifies by pointing to the ongoing outperformance of the Goldman Sachs & JBWere Superannuation Fund. "We definitely have an equity bias to income-generating stocks; that's been our view for a long time, and on the fixed income side, the opportunities are really more overseas."

While a lot of family office clients appreciate this basic approach, he does concede there are those with a bias towards fixed income. In those cases, Greiner says JBWere will assemble a portfolio that suits those proclivities - "Ultimately, we do what works for them," he says.

"I think there are definitely some organisations that say, 'We're going to ask you a few questions and then we're going to put you into portfolio x.' That's not putting the client first; that's putting the organisation first. You have to be very clear about their investment goals and their horizons, and the portfolio stems from that."

Of course, in some cases, Greiner says there's not enough consideration for issues of longevity risk – even for family offices: "We'll sometimes have an organisation that comes to us and says, 'We're risk averse. We don't want to take on any extra risk in the portfolio.'

"We'll say, 'Great, no problems, but what are you actually trying to achieve?' And if it turns out they want to invest in research or education, well, with inflation as it is at the moment, they're never going to meet that goal if their money is just sitting in the bank. Which is what I was referring to when I said that the purpose must come before the investment strategy – once you understand people's goals and motivations, you can work with them. There are certain measures you have to take if you, for example, want to build an investment policy that will deliver on philanthropic goals."

To a certain extent, these kinds of issues are more common in Australia, where the not-for-profit sector is arguably not quite as sophisticated and culturally ingrained as in the US, for example. Greiner examined these issues in-depth when he participated in the development of JBWere's Cause Report, released in April 2016. The report found that, among other things, while certain charity sectors have grown in the country over the last 20 years, there weren't any striking changes in the "names of the large organisations dominating the sector," which suggested a stifling of innovation.

"On top of that," he continues, "the sector hasn't professionalised at the same rate, and what you see from the data in the Cause Report is that even though revenues have gone up 8%, expenses have gone up at the same rate. If you think about that in a business context, there's no retained earnings, so it's very hard to grow."

There are currently around 56,000 charities in the country, based on the data in the report, and a substantial amount of them are failing to improve their margins, which Greiner says "makes it hard for new and innovative charities to change the sector, get some oxygen and be heard."

One of the points made by Financial Standard managing director Christopher Page at this year's La Trobe Financial Standard Philanthropy Awards was that "while we cannot make a direct comparison between the Australian and the US philanthropic sector, the big gap between the two means there's more room to grow our local not-for-profit sector," reflecting the findings in the report. One of the reasons it may have not have grown, according to some commentators, is that Australia simply doesn't have the same culture of celebrating giving as in the US.

Greiner doesn't entirely agree with this, and suggests there may be other reasons. "It's true to say the percentage of funding the sector gets relative to our GDP has been fairly stable," he says, "and we do want it to grow, "but you do have to look at certain factors like, for example, the fantastic part of living in Australia, which is the social safety net we have. That maybe isn't there to the same extent in the US, which may fuel that philanthropic drive a bit more.

"Having said that, there is certainly a different culture there. When it comes to foundational boards in the US, you'll tend to have an executive team of six and then an advisory board of 30 or 40 people, and they have a very clear mantra: it's 'give, get or get off.' In other words, give us money, get money for us, or get off the board and someone else will do it. I suppose it's a more institutional culture of giving, but we do have a wonderful culture of volunteering in this country. If you go to any sporting field, there's always someone there tossing sausages and bacon and eggs in the morning."

Greiner's personal investment in philanthropy – now reflected in JBWere's nearly $4 billion in philanthropic assets under management – started at a young age. Both of his parents worked in the public service, and he says he "grew up in a family that was interested and keen to be involved in the community, and give back. I've always been involved, whether it was with my mother and Save the Children Australia in the 70s, up to my own personal roles more recently."

The first foundation he became directly involved with as an adult was one he co-founded, in memory of a friend who had died while playing rugby. "We built a foundation that was predominantly about having a better conversation around concussion and brain injury," he explains, "and more recently it's been involved with Youngcare, which is about getting people out of aged care homes. Because if you're between 15 and 45 and you have a high-care injury and your family can't look after you, the only place for you to go is an old person's home. And we don't think that's right. I'm quite passionate about causes that are either about restoring dignity in people's lives or breaking the cycle of disadvantage."

This is the same reason Greiner is heavily involved with the Financial Industry Community Aid Program (FiCAP), of which he was a director from 2006 to 2013. He describes FiCAP as a "wonderful opportunity for the financial services community to come together and give something back. We bring three charities together and help them collaborate share ideas, and give them a platform so they can help identify people in this industry who want to volunteer – and I don't just mean painting fences, but skilled volunteering too, because we have so many skills in this industry."

Greiner also finds himself doing similar work – connecting charities and people – regularly at JBWere, although this can sometimes be a challenge in the right charity isn't clear enough about its mission. "You'll have family groups who say, 'Okay, I know exactly where I want to make a difference,' and they will go to find a charity that shares that mission. But that charity needs to demonstrate very clearly what its purpose is and where the money goes. If they can demonstrate that, as well as their appropriate governance, that charity will be successful in attracting those families' funding."

When it does happen, it gives Greiner a tremendous sense of pride, especially having made that connection under the JBWere umbrella. "There's something very empowering about being the custodian of that brand," he says. "The philanthropic business is a key differentiator for JBWere. It commands a great amount of respect, and I love that brand. I've always loved working for a strong brand: Coca Cola, Rothschild, now here."

Whether selling soft drink to post-Soviet Ukraine or connecting little-known charities to family offices is the more challenging option, it's hard to say. **FS**