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THE BILLIONAIRE'S CONSIGLIERE

BY JULIE SEGAL

John Casey and the firm — Casey Quirk — behind the titans of asset management

LONG BEFORE THE TERM became synonymous with social media, John Casey was an influencer. And his influence became ubiquitous — not online but in the real world. Shortly after the financial crisis, Casey, co-founder of strategy firm Casey Quirk, and his partners were quietly working behind the scenes with Barclays Global Investors on a deal that would transform the asset management industry: the sale of BGI and its iShares

Photograph by Scott McIntyre

exchange-traded funds to BlackRock. BGI's struggling parent, U.K. bank Barclays, needed to sell the asset manager to raise cash after the financial crisis. Casey had the ears of BGI's CEO, global COO, and others. Although Casey insists, "I was in the background," he knew everybody involved and left fingerprints on many valuable pieces of BGI and connections dating back to the 1970s.

"If you're not trying to influence people, you can't really help them," says Casey, who retired in 2015, but, naturally, remains an adviser to the firm. "You need to put yourself in your clients' shoes and help them with their outcomes, motivate them, and — it sounds bad, but it's not — slightly manipulate them to get them to where they should be going," Casey adds.

A former college football player and a native of Milwaukee, he co-founded RogersCasey in 1976, one of the first pension consultants. The firm modernized the investment strategies of institutions and restructured global capital markets in the process.

Then, at the age of 59, in 2002, Casey launched his second act with partners Chris Acito and Kevin Quirk. Instead of advising the "people with the money," as Casey describes institutional investors, the new firm, Casey, Quirk & Acito, would address the "people managing the money," the other half of the institutional investment industry. Acito and Quirk had both worked for Casey in Barra's manager services group, which formed the locus of the new firm.

Casey Quirk, which advises on the business of asset management, is different from any other management consultant. Casey brought his in-depth knowledge of managers gleaned from years of researching them for pension clients and his loyal ties that threaded through the financial industry. Quirk, David Bauer, Jeb Doggett, Yariv Itah, Ben Phillips, and Daniel Celeghin were able to bake Casey's DNA, in a sense, into Casey Quirk. Together they grew a start-up into a 62-person institution with offices around the world. Deloitte bought the firm 18 months ago, but Casey Quirk's influence remains imprinted on the modern asset management industry.

IN MARCH I VISITED CASEY AND HIS WIFE IN A gated community in Bonita Bay, near Naples, Florida. In an elegant suit and tie (he was rarely seen without one during his long career), Casey, along with his wife, freely shared stories about the business connections they've made over the years, who more often than not turned into friends and sometimes even extended family.

From left: Yariv Itah, Kevin Quirk, Ben Phillips

Photograph by David Williams/Redux

"It's very difficult to have trust without a relationship. They go hand in hand," says Casey, whose conservative demeanor belies passions like his love of the Grateful Dead. "In those days, many spouses came to conferences, oftentimes bringing children. We've known these people for ages," adds Bridget Casey.

Casey's links to Barclays and BGI executives started in 1973 when he worked for Steve Rogers. His firm's client, the New York City teachers' pension plan, became an early adopter of the institutional index fund that Wells Fargo Investment Advisors, later rolled into BGI, created that year. Casey and Rogers would go on to become partners.

A decade later, once Casey had moved from advising pensions to managers, Wells Fargo became his client and the world's largest index firm, as pensions followed New York City's teachers' fund to passive. He became a close adviser to three future BGI CEOs. In 1996, when Barclays acquired what had become Wells Fargo Nikko Investment Advisors, Casey was the only external person invited onto the task force that created BGI, integrating the bank's two asset management businesses and forging Casey's connections to Barclays.

In 1999, Casey got involved with "one of the great gutsy moves" in the industry, as he describes it. He had close ties with a group of BGI leaders, including CEO Patricia Dunn and Blake Grossman, that presented to Barclays CEO Matthew Barrett their proposal to create iShares — arguably the first massive bet on ETFs. The $45 million plan cost as much as BGI earned in a year. "Frankly, I thought they were nuts," says Casey, now 75, of the iShares proposal. "I thought the idea was good, but it was so complicated and so many other parties had to be involved that I wasn't sure how they could implement it. I was a doubting Thomas." But, he emphasizes, "It was a group of people I wouldn't have bet against."

CEO Barrett gave the go-ahead for iShares, which became a powerhouse brand in the fledgling ETF category. Casey was right about the people. "That's John. He has a phenomenal instinct for people," says David Bauer, a former Casey Quirk partner, who left to become a principal at a wealth manager four years ago.

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"We used to travel together, and I remember one event where person after person came up to him, telling him things like, 'If it weren't for you, John, I wouldn't be where I am.' John had given people an idea or made a phone call or introduced them to someone," adds Bauer. He also remembers Casey for his one-liners. In a BGI strategy meeting that had veered into irrelevant details, for example, Casey remarked, "You know you're trying to pick fly shit out of pepper."

Quirk says he got involved with BGI after Dunn resigned while battling cancer and Grossman and another co-CEO took over. Casey brought Quirk along as the new leaders sought outside advice. From there, BGI moved to a classic strategic relationship with the firm up until the deal with BlackRock. "That was a big inflection point," says Quirk. "We were evolving John Casey's trusted relationships, which were much more about John acting as an on-call adviser to people like Goldman's John McNulty, Larry Lassiter at Putnam, or Thom Weisel, to the firm itself."

"When you're at the table with virtually everybody over decades, your perspectives become so broadly informed. They've certainly had influence in the industry and at our firm," says Joe Sullivan, CEO of Legg Mason. "We've used them at a couple of critical moments in the last ten years as we've thought through some very big questions. We trust them enough to tell us the truth. They don't deliver what we want to hear but what we need to hear," he says.

With BGI's quantitative investments and iShares in hand by June 2009, BlackRock would go on to add fuel to the passive-fund fire. The trend was gaining speed following the financial crisis, even though critics argued it was long overdue, given Wells Fargo's invention dated to 1973. Investors had soured on the high-cost actively managed funds that had failed to protect them from the market downturn and were flooding another index pioneer, the Vanguard Group, with money. For the first time since the industry's emergence in the 1970s, asset managers were facing angry customers and stalled growth.

For Casey Quirk as an adviser to these companies, the aftermath of the financial crisis was a tricky time as well. When Lehman Brothers Holdings filed for bankruptcy in September 2008, Quirk and a few colleagues had just landed in Tokyo. For one of them, it was his first day on the job. They stood in the Ginza shopping district and watched plunging charts of the Nikkei and the Dow on screens overhead.

Quirk turned to his new co-worker and joked that "markets can only go up from here." But privately, he was worried the crisis would claim their firm as a victim. Indeed, clients froze, and consulting projects dried up that fall and into the winter. In the end, however, the financial crisis turned out to be a business boon. Executives realized they needed help, active managers in particular. They would have to compete against the likes of an emboldened BlackRock, as cheap index funds appeared set to become the default investment vehicle.

"Prior to the financial crisis, people were practicing strategy but not always executing on it," says Quirk. "Now they have to use it. That's been good for our business." But Phillips, who oversaw the development of the research center, stresses the firm has also had to add new skills. "We had to go from helping firms find new opportunities, new pockets of money to answering questions like 'how do I recalibrate my firm so I have enough capital?' This industry was a collegial artists' colony where everybody grew," he says. "Now they have to cross the street and rob the bank — rip away market share from a competitor — to grow."

IN KEVIN QUIRK'S SECOND YEAR OF BUSINESS school, amid the tech boom in 1995, he ran into a friend who urged him to attend a presentation going on in the building. Quirk agreed and went upstairs to listen to Greg Rogers — the son of Steve Rogers, who had helped Casey build the manager services group — talk about RogersCasey.

Quirk, who had played tennis at Providence College, where he studied political science, was intrigued. He interviewed with the firm and nearly had a job offer in hand when he met Casey. The venerable adviser asked Quirk about his pre-MBA years in management consulting at Coopers & Lybrand for clients including Fidelity Investments and Putnam Investments and his two years with the Boston Co. before that. But Casey was much more interested in Quirk's time sailing around the world after college. Quirk had sailed every summer in Newport, Rhode Island, where his father owned a military uniform and formal wear company catering to the Navy community. After graduation the dreadlocked Quirk worked on charters and moved sailboats around the world for two years. "At first I thought he was joking about the sailing, but John told me he was impressed," says Quirk. "That tells me you take risks and have a taste for adventure. Those are the things you look for in an entrepreneur," Casey told him. Casey wanted Quirk, who joined the same month that Barra purchased RogersCasey, to help him build out the strategy group.

Money managers were flush with new money but not with experience.

In Florida the influencer remembers telling young Quirk, who was taking his time making a decision, "Kevin, I'll make you a deal: If you come with us and help me build this business, I will personally get you a job anywhere you want to work in asset management." Quirk quickly gave his signature term of agreement: "Done." At the kitchen table, with cut-up fruit and a plate of banana bread, Bridget laughs. "That's Kevin!"

Quirk's passion and willingness to take a detour after college may have reminded Casey of his own entrepreneurial beginning.

WHEN CASEY AND BRIDGET GRADUATED FROM Wisconsin's Milton College in 1967, they moved to New York. John spent four months in a stock-broker training program but glommed onto one specialty: retirement funds. With pensions at their apex, Casey observed that if a pension fund's investments did well, the burden on companies and governments to pay their workers in retirement lightened. "I'd come home, and he'd have these legal pads spread out in front of him, telling me he was doing a study and had a great idea," Bridget Casey remembers.

Casey's idea to start a company to find and monitor the best managers for pensions and profit-sharing funds (a 401[k] precursor) wasn't unique. Ed Callan was also getting started at the time. Casey approached several big firms about creating a pension consulting group, and PaineWebber, which had been exploring the concept, hired him. In 1969, Casey helped start Evaluation Associates at PaineWebber. But Casey knew pensions would want an independent consultant, and three years later he was part of a group of 12 that joined Ed Callan and bought Callan Associates. "All the time, you're learning more about managers, because you're right in the middle of it all. The whole idea of Casey Quirk today was based on knowledge and observations over long periods of time on what makes managers tick and do well or not do well," says Casey.

A year later Callan fired Casey — "on Bridget's birthday," Casey notes. Callan wanted to focus on services such as performance measurement, while Casey and his also-fired colleague Ed Barksdale wanted to help pensions with investment policy and manager evaluations. Casey and Barksdale ended up joining Dreher, Rogers & Associates in 1973, just as Wells Fargo was inventing its index fund.

Three years later, with Dreher, Rogers up for sale, the trio of Steve Rogers, Casey, and Barksdale decided to start their own shop. Casey was determined to get the idea he'd sketched out on his legal pads years earlier into the real world. "Frankly, I couldn't get it out of my system," he says. "You were so convinced, you had such a belief, you were so passionate and studied and read constantly," adds Bridget.

In the early 1980s managers started asking Casey one-off questions about whether they should expand into fixed income or go global or start new products. They wondered what clients would think if they acquired a firm. The logical next step was to start a group that would focus on managers. "We totally tripped over it," Casey says. In 1996, Rogers said he wanted to retire, and the partners decided to sell RogersCasey to Barra.

Over the next five years, the group, which Barra split from RogersCasey and called Barra Strategic Consulting Group, grew quickly as stock markets hit new highs, more individuals began investing, and institutions got more creative with their portfolios.

After the technology bubble burst, asset managers took stock of the flurry of acquisitions and new product launches that had taken place. Financial services companies had made scores of poorly thought-out deals, leaving managers haphazardly integrated with their parent firms.

Quirk, Acito, Bauer, and their colleagues wrote a white paper in 2000 with Greg Fleming, who then headed asset management in a Merrill Lynch banking group. Called "The Complete Firm," the paper laid out a road map to success as an asset manager. It raised the issue of hedge funds and private equity entering the mainstream, which many people found hard to believe at the time. The research quickly made its way around Wall Street. The paper laid the foundation for Casey Quirk's thought leadership and eventually the research center, built to inform the firm's views with data produced on every project, says Jeb Doggett, a former insurance research analyst who joined in 1995 and brought the group deep expertise in the investments process. "We were getting a lot of market intelligence that we needed to formalize," he says.

But in 2002, Barra's leadership was worried. Wall Street analysts had expressed concerns about the disparate businesses it owned, and so Barra put some of its companies up for sale, including RogersCasey. Casey's asset manager consultancy was free to go. "They let us walk out the door for free," says Casey.

Casey called Bridget, who was in Bonita Bay visiting her parents. He asked his wife about money. Then he told the plan: "We're going to start Casey, Quirk & Acito." Bridget questioned why he would want to start again at 59, when they were already comfortable financially. "You could putz, you could do some consulting, be on boards," she suggested. But John didn't want to. "And as it turns out, I don't think John Casey has had more fun than in his 13 years at Casey Quirk. His young partners became like our kids," says Bridget.

THERE'S NOTHING LIKE A GOOD CRISIS TO HELP A strategy consultant. But the industry, which had been changing for years, finally showed its cracks after 2008. If Casey started in a space replete with opportunity, now his firm was operating in the opposite environment. "A rising tide wasn't lifting all boats. Some were rising faster than others," says Jeb Doggett, a founder.

Casey Quirk's boat, though, started rising very quickly. Michelle Seitz — chairman and CEO of Russell Investments and a former client as CEO of William Blair — attributes Casey Quirk's success to the industry's hunger for good advice from people who speak their language and understand the complexities of the business. "They've been able in a confidential way to take what they've learned over the years and turn it into advice that increases in value with every project," says Seitz, whose relationship with Casey goes back 30 years

Photograph by David Williams/Redux

to his days working with seminal figures like Gary Brinson, a pioneer in asset allocation.

The business also grew after 2008 because asset managers figured out what a strategy firm actually did. Previously, it was a cottage industry where executives believed they could figure things out themselves. Firms like McKinsey & Co. and Boston Consulting Group — both of which have asset management practices now — advised industrial companies like GE or General Motors, not investment shops.

Amanda Walters, who joined Casey Quirk in 2012 from IBM, sees the change reflected in the annual benchmarking survey she manages. About 100 asset managers representing some $40 trillion in assets — half the industry — provide sensitive details on their financial performance, including revenues, margins, and personnel costs. "They get an aggregate view of the world and the trends that we see. But they also want to see exactly how they're doing next to their peers."

As Casey Quirk expanded and went into hiring mode, the partners needed to make sure the firm itself kept up. Yariv Itah, who had come to the U.S. intending to get his MBA at Yale and return to Israel, changed his mind after meeting Casey, Quirk, and the others. Itah designed a transparent compensation plan for partners, pay structures to motivate teamwork, professional development programs, and recruiting plans. Quirk found himself turning to Itah more and more to run the firm itself, and Itah formally took on the role in 2012. "Yariv was such a great injection of blood into the firm, bringing that Israeli directness we needed," says David Bauer, one of the founders. "He was able to help us cut through the issues that we probably could have spent a lot more time chewing over when we were smaller," he adds.

There was a lot to be direct about. The industry had a massive oversupply problem. Individuals had become the dominant client, rather than the institutions that reigned for decades, and everybody wanted to pay less.

Pensions, endowments, and others also wanted to deal with fewer managers and get a lot more from those few. Tom Finke, CEO of Barings, turned to Casey Quirk as the firm first considered restructuring MassMutual's money management business, and ultimately consolidating Babson Capital Management, Cornerstone Real Estate Advisers, Wood Creek Capital Management, and Baring Asset Management.

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JOHN CASEY

"Kevin and his partners had long experience in the industry. It became very clear that the risks of not doing this outweighed the risk of doing it," says Finke.

As for Quirk, Finke says, "He builds real relationships with people like me. We know when people are just ringing the cash register. He'll really listen and let the discussion go without disengaging from it. He won't just try and tell you the answer." A student who learned from the master.

Joe Guastella, now head of the global financial services practice at Deloitte, first talked to Quirk and Itah seven years ago about a possible tie-up. "We talked about changes in the market and how asset managers were considering more transformational changes," says Guastella, who was then head of the U.S. financial services consulting practice. "They also wanted to go from strategy to implementation." Deloitte then got distracted with another acquisition but returned to bring in Casey Quirk in 2016. The advisory firm was great at strategy, Deloitte saw, but many asset managers needed help with the next steps as well, such as technology, operations, digital initiatives, and support for chief financial officers. "What we tried to solve for is the disconnect between the strategy and then what we actually do to execute," says Itah, who led the deal for Casey Quirk and now manages the practice for Deloitte.

The partners agreed that they needed to act. They were in a good position, with a financially healthy and fast-growing business. The time was right to combine with their first choice.

The move was risky. Deloitte, with 45,000 people in its global financial services practice alone, could smother a strategic consulting group of 62, one dependent on a handful of partners and a distinct and recognizable brand. Guastella insists Deloitte's culture is similar and that Casey Quirk reminds him of the corporate giant's early years. Deloitte, he says, will keep the firm independent and do everything it can to preserve the culture, while also adding capabilities Casey Quirk lacks.

When I ask Casey how the firm he poured a lifetime of experience into can maintain its personality inside the Deloitte behemoth, he doesn't hesitate.

"That unfortunately is life. People have to learn — and this is what we've taught our clients — you have to adapt to change. A bond has a duration, so does a human, and your firm has a duration. If you want to keep extending it, you behave a certain way, and if you want to shorten it, you behave another."