



Asset management: Improving connectivity and profitability by rethinking one key role

Rethinking the focus and structure of the chief product officer role will help asset management firms better connect with customers, innovate more effectively, and operate more nimbly when it comes to addressing business priorities.

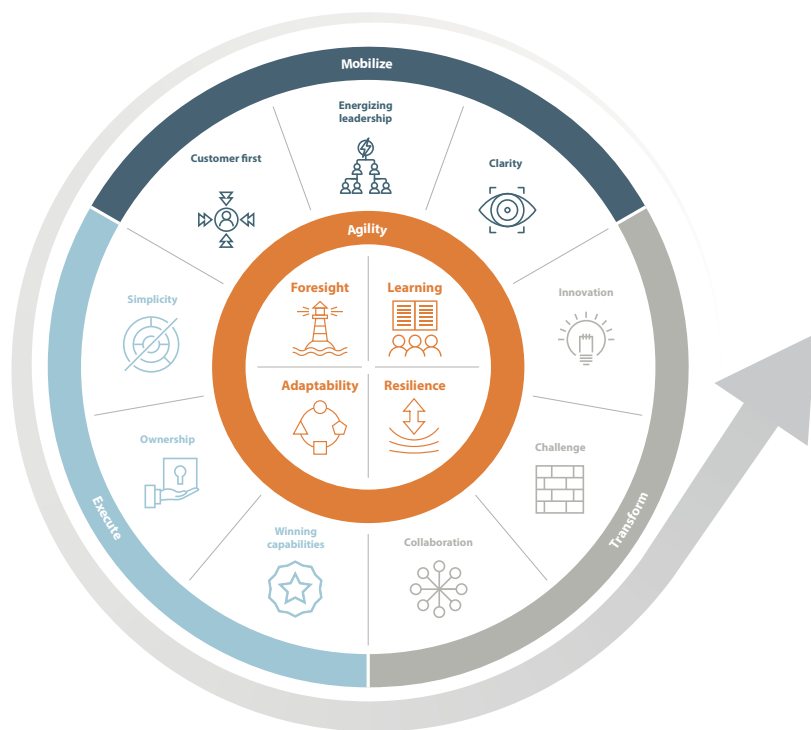
Successful asset management firms today are those that can continuously innovate in response to shifting and globalizing industry dynamics. Client preferences are ever evolving, specifically in terms of an increased preference for digital interaction and demand for more comprehensive solutions rather than standalone offerings. Additionally, firms must factor in the continual effects of new entrants and disruption, not to mention the external influences of recent global crises and economic volatility.

Most firms are approaching this reality by pursuing similar courses of action: expanding and deepening investment solutions, digitizing investment and marketing approaches, and reviewing distribution strategies. What sets firms apart is how well they can execute on those strategies. One approach that drives execution is rethinking the product function as a whole. Elevating it to the C-suite enables a transformation toward more executive influence and sends a strong signal that a firm is focused on cross-platform evolution rather than small, incremental solutions.

Getting to the heart of effective execution in asset management

Heidrick & Struggles research has shown that companies accelerate their performance when they mobilize, execute, and transform with agility.¹

The drive factors for accelerating organizational performance



For asset managers focusing on their product strategy, our experience and discussions with industry leaders suggest three principal areas of focus.

1. Fostering a customer-first mindset: Developing a more customer-centric approach requires a more collaborative and innovative culture. Embedding this ethos across the organization involves putting customers into the organization's core values and processes.² Leaders can understand where they currently stand on the customer-centricity spectrum by asking:

- Do we truly understand client needs and how they are evolving?
 - In what ways and how frequently do we try to understand clients' changing interests and buying habits?
 - Are we making assumptions based on past trends, or do we convene groups of clients to discuss emerging issues and interests and actively solicit feedback?
- How focused are we on cross-selling and offering comprehensive solutions as client needs change?
- Do we do sufficient diligence into potential clients' situations before initial meetings so that we can both present a sophisticated understanding of their needs and highlight the unique capabilities of the firm?
- How involved are our front-office employees in defining innovation goals?
- How effectively are we reaching clients in new ways, particularly via digital channels?
- How well do we understand where clients derive the most value from the current platform and what they value least?
- For organizations selling to individuals, how well do we segment customers based not only on financial metrics but also on specific investment priorities (such as environmental, social, and governance issues) or degree of interest in products beyond asset management (such as tax or philanthropic advice)?

Developing a more customer-centric approach requires a more collaborative and innovative culture.

¹ For more on the research and how it applies to companies of all kinds, see Alice Breeden, Becky Hogan, and TA Mitchell, "Bringing your organization up to speed," Heidrick & Struggles, September 12, 2019, heidrick.com.

² For more, see Karen Rosa West and Megan Herbst, "Putting the customer first—for real," Heidrick & Struggles, May 6, 2020, heidrick.com.

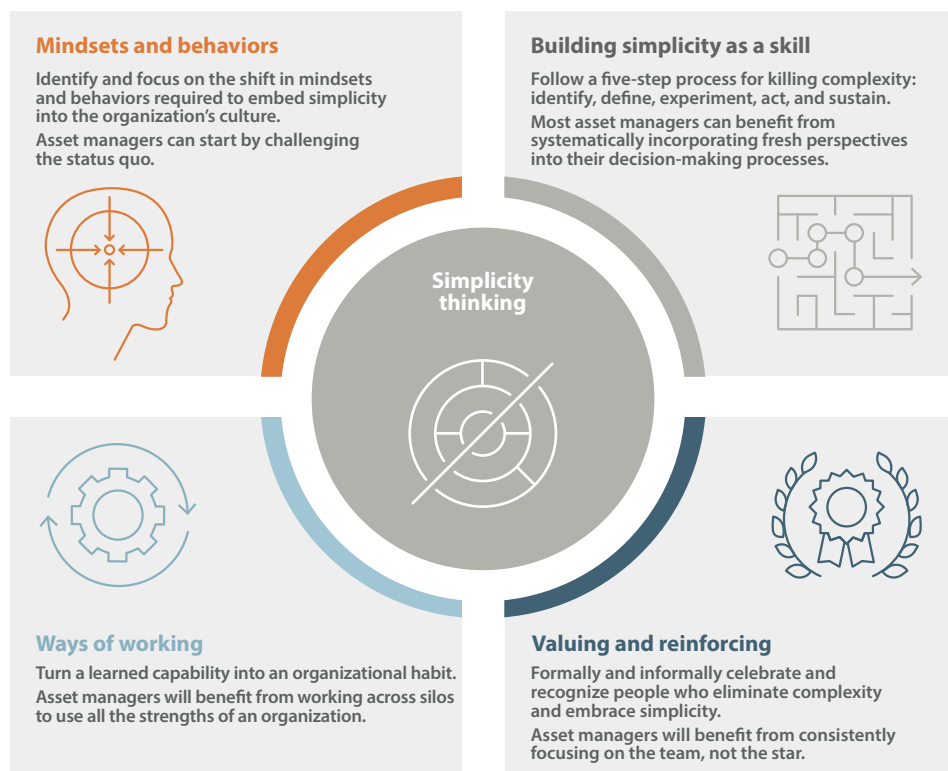
2. Innovation: Organizations of all kinds struggle to innovate when a culture penalizes failure.

Asset management firms tend to have more traditional cultures, which are heavily influenced by regulation. But such cultures also result from maintaining disciplined, repeatable processes over multiple market cycles. Therefore, these firms tend to be particularly averse to innovation risk and avoid revising long-standing investment principles. Asset management firms have also historically operated in deeply rooted silos with limited connection across the organization. That complexity combined with relatively low digital dexterity compared with other industries can significantly inhibit innovation.³ Yet succeeding with both innovation and digital transformation is crucial, particularly as digital-first firms are becoming legitimate competitors. The good news is that asset management firms have a head start in that, contrary to some other industries, they are typically very sophisticated users of data and analytics for investing. Therefore, one way they can enhance digital disruption is to take that natural affinity for data and find ways to extend that expertise more broadly. Leaders can understand how well their firms are doing currently by asking:

- How digitally dexterous are we today, and where do we most need to improve in order to drive continuous innovation?
- How can we leverage our analytic and quantitative knowledge to bring a more data-driven approach to other functions in our organization? Are there tools we can launch digitally to better meet client and employee needs? Where can we pilot ideas we can learn from quickly?
- From which products does the majority of our revenue come? What do clients value in those products? Are we pricing and packaging our products to get the most return on those offering the most value?
- How do we need to reshape our product lineup to address fee pressures and changes in client asset allocations? Can we use other operational data to understand client interest in more comprehensive services?
- How do we need to innovate our marketing to better make the case that our capabilities meet client needs?
- What does our existing data tell us regarding additional unique products or investment strategies we could create based on our specific strengths and customer needs?
- How can we simplify our processes, operations, and methods of client engagement to ensure those products are scalable?

The good news is that asset management firms have a head start in that, contrary to some other industries, they are typically very sophisticated users of data and analytics for investing.

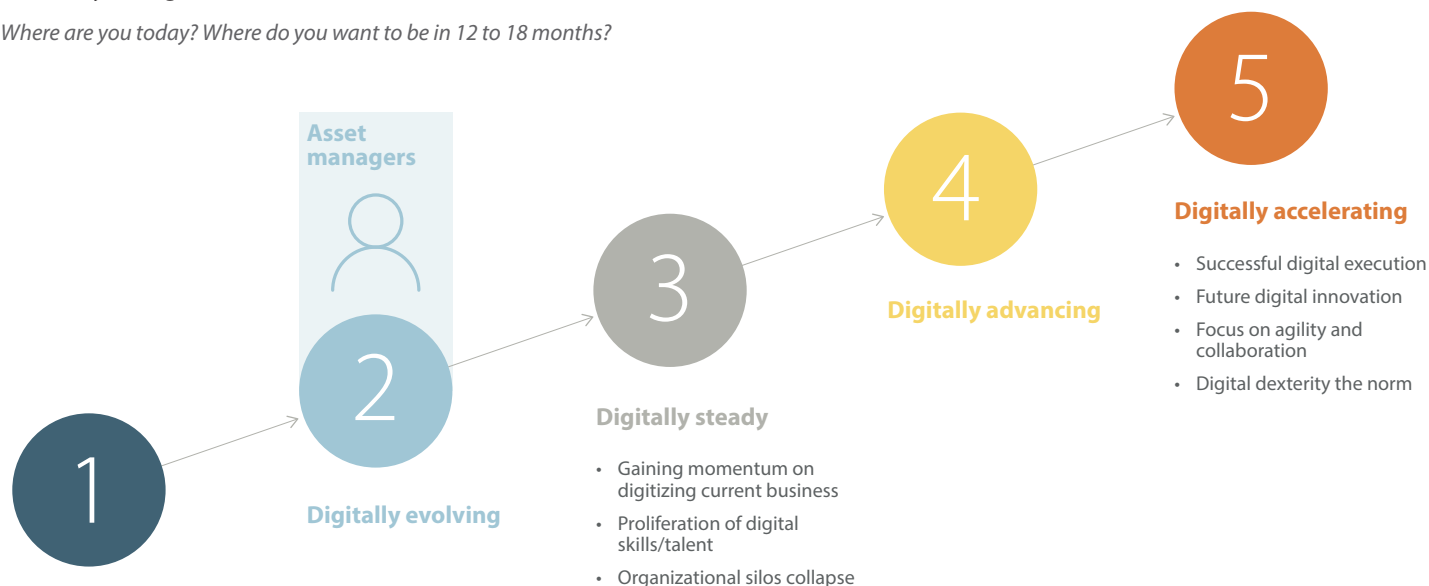
The core tenets of simplicity thinking



³ For more on how increasing simplicity can improve organizational performance, see Alice Breeden and Adam Howe, "Why simplicity is the key to accelerating performance," Heidrick & Struggles, December 5, 2019, heidrick.com; for more on why digital dexterity matters, see Shaloo Kulkarni, Eric Skoritowski, and Scott Snyder, "Achieving digital (re)acceleration," Heidrick & Struggles, May 14, 2020, heidrick.com.

Measure your digital acceleration

Where are you today? Where do you want to be in 12 to 18 months?



3. Simplicity in execution: Organizational agility, and subsequent outperformance, requires a leadership team to be able to translate ideas into reality faster than its competition and to hold true to its purpose at the same time.⁴ Simplicity is as important a contributor to corporate performance as is innovation; indeed, 56% of highly accelerating organizations, and only 20% of low-accelerating organizations, think they have efficient processes.⁵ But achieving true organizational agility requires more. Leaders can understand how effectively their organizations are currently operating by asking:

- How quickly are we able to bring new ideas to market?
- How can we simplify our structure, operations, or technology systems to be able to move more efficiently?
- How adaptable and resilient is our organization, including in areas as fundamental as our investment philosophy?
- How well do we learn as an organization? What sources are we learning from?
- How well can we foresee changes—to technology, to the competitive landscape, to the economy, as well as among our clients?

Simplicity is as important a contributor to corporate performance as is innovation.

⁴ For more on leading with agility, see Steven Krupp, "From blame to gain: Leading with agility in a crisis," Heidrick & Struggles, April 2, 2020, heidrick.com.

⁵ Alice Breeden and Adam Howe, "Why simplicity is the key to accelerating performance," Heidrick & Struggles, December 5, 2019, heidrick.com.

Elevating the chief product officer in asset management

The chief product officer (CPO) plays a leading role in all three of these crucial areas of execution for asset managers, and these areas span the entirety of their organizations. For example, in order to truly understand customers' needs, CPOs must be closely connected to the distribution teams that face clients every day and have firsthand knowledge of why clients are making specific choices. CPOs must also have an intimate understanding of the investment capabilities intrinsic to the current platform when considering innovation. This will reflect their strategic lens on the marketplace and unique insights into how they can competitively represent the firm's capabilities externally. Fundamentally, they must be able to build products that not only work but for which there is also a good story to tell. Finally, CPOs must be part of corporate strategy development, thinking about potential ways to augment existing capabilities, as well as have a keen understanding of the financial impact of pricing and product profitability.

The chief product officer (CPO) plays a leading role in all three of these crucial areas of execution for asset managers, and these areas span the entirety of their organizations.



Though there is no one-size-fits-all model for the role in the industry, it is clear that elevating the role—from typically reporting through sales or investments to reporting to the CEO or operations as a part of the C-suite—will allow the product leader maximum ability to influence execution. It is also crucial that the function not be positioned as a cost center and that the chosen leader can navigate with influence across all functions of the firm.

Influencing is particularly important because accelerating execution for asset managers requires a regular and proactive evaluation of the product suite relative to historical offerings and in consideration of the competitive landscape. At firms where long-term, deeply rooted capabilities exist, this is both particularly important and particularly difficult. It can infuse tension into long-held—and sometimes firm-defining—investment belief systems. But avoiding those challenging conversations or allowing inertia to lead the organization's evolution will be a sure path to underperformance. A CPO whose role is designed to operate across silos and who makes good use of customer and competitor data can become an objective, credible leader of constructive discussions for the firm as a whole.

A CPO whose role is designed to operate across silos and who makes good use of customer and competitor data can become an objective, credible leader of constructive discussions for the firm as a whole.

Defining the CPO role

Senior product strategy executives in asset management tend to have one of four areas of focus, as described below. Asset management CEOs will be able to assess which mix of expertise is right for their firm by answering a few questions, starting with whether they have historically invested more heavily in new products or distribution. Other questions include how robust the firm's platforms are now, how strong the organization's data skills are, how open to innovation other firm leaders are, how agile the firm has proven to be, and how well the firm currently assesses client interests.

Typical product strategy roles

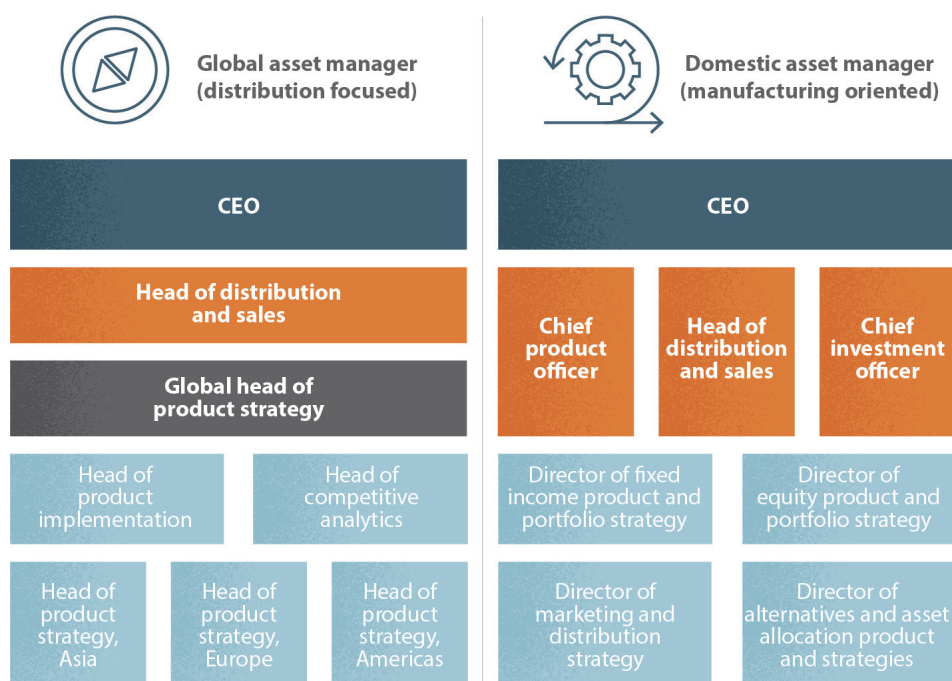
Product specialist 	Competencies <ul style="list-style-type: none"> • Technical depth of understanding in the development, refinement, and rationalization of investment and/or data-centric products • Given the awareness across the full product suite, often highly attuned to profitability considerations • Technical credibility 	Trade-offs <ul style="list-style-type: none"> • Typically specialized in one particular product vertical • May not bring the necessary commercial mindset to effectively drive growth
Strategic leader 	Competencies <ul style="list-style-type: none"> • Creative and forward-thinking leader with broad knowledge of how to package and launch products • Consultative and solutions-oriented in approach • Adept at working across organizations spanning specialist and functional teams 	Trade-offs <ul style="list-style-type: none"> • May lack the technical depth required to effectively generate ideas and evaluate opportunities • Depending on the construct of the team, a highly strategic leader may struggle to build followership with a technical base
Commercial leader 	Competencies <ul style="list-style-type: none"> • Strong commercial orientation and track record of driving new business • Dually applied skill set in drawing competitive intelligence from external audiences and navigating various groups internally to deliver on market demand • Able to execute against organizational strategies 	Trade-offs <ul style="list-style-type: none"> • Typically more equipped to execute than strategize
Business leader 	Competencies <ul style="list-style-type: none"> • Broad leadership skills and experience managing P&L at scale • Can manage large teams in complex, matrixed organizations • Able to set specific strategies in line with business objectives 	Trade-offs <ul style="list-style-type: none"> • Would rely on the strength of their functional counterparts to deliver successfully

For almost any firm, the right CPO will be someone who has experience with clients, is closely connected to investment strategy, and has clear views on firm-level strategic direction as well as a strong influence on go-to-market commercial positioning via internal marketing teams.

Restructuring the team

Finally, product development teams also need to be restructured to foster an organization-wide customer-first mindset, innovation, and agility of execution. Currently, teams either are structured with members specialized across product strategy, implementation (on a regional basis), and competitive analysis or are asset-class or even business-objective centric, typically lending to the delivery of explicit business-generation goals. Streamlining reporting, placing product strategy as a central touchpoint within the organization, and positioning the role as a peer within the executive leadership team will make significant progress toward driving organizational results.

Sample product development and solution models



As asset managers continue to optimize their organizational structure, they will need to remember that rigorous execution combined with a nimble mindset will help distinguish their organizations from the competition. To do this successfully, firm leaders must have an honest diagnosis of their current levels of progress related to customer centricity, comfort with innovation, and readiness for agile execution. Then they must clear the path for their chief product officer to evaluate and potentially augment existing firm strengths, while ensuring the CPO's ability to influence, at a peer level, across the executive team. From there, the organization should be able to take advice, in the spirit of progress and evolution, toward being a higher-performing company with a leader who brings significant cross-functional impact.

About the author

Renee Neri

is a partner in Heidrick & Struggles' New York office and a member of the Financial Services Practice.

rneri@heidrick.com

Financial Services Practice

Heidrick & Struggles' global Financial Services Practice uses our broad and deep experience to find the leaders today who are equipped to address the critical issues of tomorrow.

Emerging from global crises while adapting to new markets, the global financial services industry needs leaders with the technical skills, creativity, and insight to craft winning strategies in an increasingly data-heavy digital world. With more than 80 consultants in locations around the world, our Financial Services Practice team combines unparalleled search resources with a deeply consultative approach. We have strong expertise across all financial services sectors, including: asset management; consumer and commercial finance; financial services infrastructure; financial technology; global markets; hedge funds; insurance; investment banking; private equity; real estate; venture capital; and wealth management.

Leaders of Heidrick & Struggles' Financial Services Practice

Global

Todd Taylor
Global Practice Managing Partner
ttaylor@heidrick.com

Americas

Dominique Fortier
Regional Managing Partner
dfortier@heidrick.com

Asia Pacific and Middle East

Shadi El Farr
Regional Managing Partner
selfarr@heidrick.com

Europe and Africa

Wolfgang Schmidt-Soelch
Regional Managing Partner
wschmidtsoelch@heidrick.com

WE HELP OUR CLIENTS CHANGE THE WORLD,
ONE LEADERSHIP TEAM AT A TIME®

Copyright © 2020 Heidrick & Struggles International, Inc.
All rights reserved. Reproduction without permission is prohibited. Trademarks and logos are copyrights of their respective owners.