

The Shifting Role of Product Officers: Moving from Compliance to Strategy

By Rian Raghavjee, Peter Koo and Arnaud Tesson

The rise of the Product Officer role across industries has sparked new innovations within companies, and asset managers are no exception. While previously a role that focused more on execution, Product Leaders in asset management firms have the opportunity to be more strategic and expand the scope of their traditional focus. To explore the impact Heads of Product could have, we gathered product leaders to discuss the future of the role in asset management. The attendees had international product responsibility at top tier asset managers, representing in aggregate over US\$4trn of assets under management.

From Execution to Strategy

There is a discernible increase in the breadth of the role of Product because of the many challenges the industry is under. This is presenting opportunity for Product leaders to step up and highlight how an effective product function can contribute beyond its traditional remit. The function is no longer simply about implementation and execution, as has historically been the case, but is pivoting rapidly toward having influence on corporate strategy and client engagement. “We are not a compliance function,” one participant commented. Product is not the

watchdog whose only role it is to clean up and rationalize an unprofitable tail of legacy products. It must instead be seen and used as a trusted advisor and solution provider, increasingly helping to author corporate strategy, including scoping options for inorganic growth. As one Global Head of Product commented, “A more top down, hierarchical organization will drive for implementation, whereas an agile, bottom-up approach will require a strategic remit of the Product function.”

The function is uniquely positioned to straddle company silos and engage with the market and regulatory landscape; this breadth of perspective makes for an invaluable contribution but remains untapped due to sub-optimal functional set ups.

Product Is the “Third Pillar”

The structure and set up of the Product function within an asset manager will have a bearing on its level of impact. At the very least, for firms to set up the function for success, the Product function should be a trusted adviser to, and equal partner of, Distribution and Investment (the third pillar). There is often a natural and healthy tension between the two pillars, and a seasoned Product leader positioned on an equal footing can navigate these sometimes-disparate objectives for a more aligned outcome, acting as the “connective tissue” in the organization. On the contrary, some leaders noted that positioning the function within investment or distribution teams can create bias and asymmetry of outcomes. Remarkd one Product leader, “We used to have to be bilingual, speaking the language of investment and distribution, but now we must be multi-lingual engaging across additional dimensions too [considering the business as a whole].”

There was also discussion on regional versus global models. The theory was that the Product function is potentially hamstrung if it does not have direct regional influence. At the very least, a global set up achieves consistency and standardization across a company, allowing it to reap synergies and share best practice, resulting in a more coordinated engagement strategy with clients.

Having Broad Impact

The function plays a critical role in understanding the broader market and providing an outside-in view to the company – analyzing competitor products, market trends, changing client views, reshaping the regulatory landscape and then

drawing insights from this data to influence future product and even company direction. As one participant noted, “We need to consult with our colleagues on how their franchises as a whole should evolve to stay relevant [not just their specific products].” There is client-facing value of the Product function, which many felt is under-utilized. “The remit should be on shaping a platform not just a UCITS product,” remarked one leader. “The true value add of the function is in helping change the direction of the business as a whole, and in seeing the bigger picture.”

Product and Return on Investment

It was noted that buoyant and bullish markets over many years have masked inefficiencies within asset managers. For the most part, margins have remained high and many in the industry are dogged by complacency and under-performance. The threat of top-line deflation is real. Some Product Heads observed the increasing (and welcome) engagement they are having with finance leaders, focusing more on “what will be accretive to our margins.” This requires acumen that is more commercial and the ability to approach the Product function from a Return on Investment perspective. As one Global Product Head commented, “I feel like I am running a P&L!” This comment was embraced by others who welcomed such an approach and mindset. It was also noted that more work needs to be done around cost benefit analysis in private markets – this is an asset class that is growing aggressively but its ambiguous nature and relative lack of transparency can make such ROI discussions challenging.

Conclusion

There is potential for the Product function to have a major impact, but it must be set up for success. This will require Product leadership who can engage not only across investment and distribution functions, but with CFOs and CEOs, collating market insight and client views to re-shape not just product strategy but corporate strategy as well.

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Covid-19 Micro-Website

We have launched a micro-website where this and other informative pieces are posted. This site will be regularly updated: [click here](#) for further details.

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