

LEVERAGING PRODUCT MANAGERS TO FUEL GROWTH AND EFFICIENCY IN CAPITAL MARKETS

Part of 'Growth & Cost Takeout for Capital Markets' article series

Speed Read

- As the capital markets industry accelerates into the digital age, firms must prioritize user experience/customer experience and further emphasize digital innovation and infrastructure simplification
- Financial institutions must embrace the product mindset to navigate the complexity and the agile culture that is required to execute successfully
- Product managers are proponents of the product mindset, helping to reduce cost and increase growth as financial institutions (FIs) undergo digital transformation
- Positioning product managers for success will allow your other high-cost front-office resources to focus on driving revenue rather than navigating infrastructure

THE CAPITAL MARKETS INDUSTRY HAS YET TO FIND THE PERFECT FORMULA FOR TECHNOLOGY-ENABLED CHANGE IN THE DIGITAL AGE


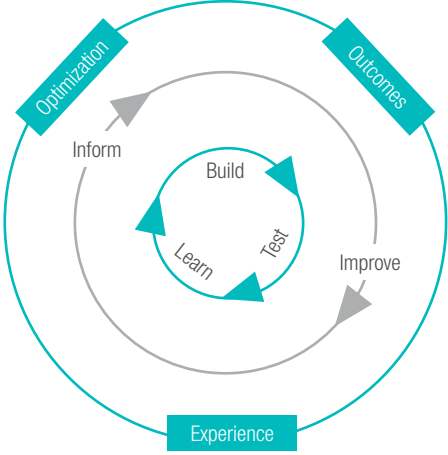


With the relentlessly accelerating pace of change, the current environment is a transformative time for the capital markets industry. Client expectations are higher than ever, increased operational efficiency is required to meet internal targets, and front-office focus on ROI for infrastructure spend has never been sharper. All of this pressure to improve the bottom line has resulted in FIs focusing their efforts on offering new revenue-generating capabilities and implementing innovative, digital-first products. However, due to a combination of factors such as deeply rooted governance structures, poor incentive mechanisms, and scarcity of subject matter expertise, capital markets organizations find themselves exercising inefficient business practices:

- Products are being designed, developed, and delivered with little or no customer/user insights and outcomes acting as the 'north star'

- Products are being implemented/released with a high risk of accruing technical debt and failure to adjust to changing business and customer needs
- Functional groups (i.e., front office, technology, risk, etc.) are being governed in silos without efficient channels of communication

Capital markets teams must understand that often these inefficiencies stem from a culture based on a 'project mindset' solving for 'product mindset' challenges.

EXHIBIT 1

	PROJECT MINDSET	PRODUCT MINDSET
FOCUS	Deliver scope on time under budget	Business and customer outcomes
APPROACH		
RESULT	 Crappy product delivered on time and under budget	 Continuously improving, lovable product that maximizes budget

While a successful project means delivering the scope on time and under budget, a successful product means helping the user make the progress they need to, address any anxieties or inertia that might be holding them back, and instill the desire to use the product again. Until that is achieved, the product is a failure. In approaching product development, FIs must move away from using a ‘project mindset’ to a ‘product mindset’ to effectively put end-user experience and needs at the heart of the product while ensuring a robust commercial case for the change.

“

Having a product management mindset creates a continuum between the front office which wants to move quickly, and technology/operations which wants to move deliberately. It helps effect realistic outcomes and informed trade-offs, by steeping decision in tightly managed expectations and timeframes.

– Trevor Williams, US Partner

”

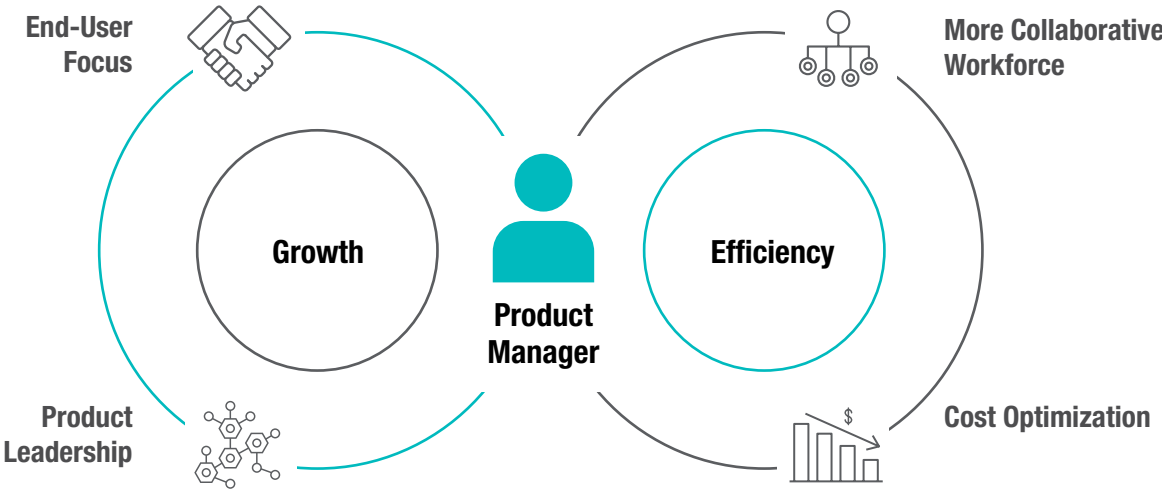
THROUGH THE PRODUCT MANAGER, FIRMS CAN ENSURE OUTCOMES THAT ARE SUCCESSFUL FOR END-USERS AND CLIENTS, WHILE MAINTAINING A FOCUS ON COMMERCIAL VIABILITY

The technology industry has become an expert at nurturing the product mindset and effectively establishing a culture conducive to digital transformation across all organizational levels. A key ingredient to their success has been their ability to leverage the product manager role successfully. The tech industry treats a product manager role much akin to a 'mini-CEO:' they set the vision and oversee the shipping of products, shaping the end-to-

end development process and enforcing strategic objectives in areas targeted by the firm.

Through the product manager role, financial institutions bolster their firm in the areas of customer/end-user focus, product leadership, cost optimization, and a more collaborative workforce (see Exhibit 2):

EXHIBIT 2



GROWTH

Customer/End-User Focus

- Product managers **act as pillars to drive the firm's strategic goals and investments through emergent opportunities from customer/end-user interactions and research.** They maintain a strong focus on better outcomes, including experience and productivity.

They propel better outcomes in two ways: **facilitating digital integration in areas targeted by the end-user (e.g., trader, banker) and by focusing finite resources on not building the wrong thing.**

Product Leadership

- Product managers **oversee product selection, creation, development, release, and optimization to ensure that the firm is aligned with the long-term and short-term vision** at all levels of the organization.
- They **ensure focus on digital advancement, facilitating early adoption, and release to keep the business competitive with the market** both in operational standard and in key features.
- **Adoption is a key part of this puzzle, with the product manager actively 'marketing' the benefits and rationale behind the new offering.** This happens well before release

by keeping early adopters close and within the build, test, learn feedback loops.

EFFICIENCY

Cost Optimization

- Product managers **work with and reduce the burden of non-revenue generating (NRG) tasks carried by revenue-generating resources** by creating a more efficient channel to rationalize technologies from a proof of concept (POC) to release.
- Product managers **help optimize medium to longer-term enterprise cost savings** by managing technical debt and ensuring minimal rework required in the future.

More Collaborative Workforce

- Product managers **rarely have hierarchical 'power' and are most likely to be highly engaging and influencing when working across functional and business silos.** Working between business, technology, and other functions, they establish upward/downward gateways of communication.
- Product managers also have a **positive operational impact by ensuring end-user fit and seamless coordination, reducing bottlenecks in day-to-day operations and implementing change** in the areas most needed.

CAPITAL MARKETS FIRMS CAN CONSIDER SEVERAL WAYS HOW TO EMBED THE PRODUCT MANAGER ROLE

- **Embrace the product manager role and the mindset amongst the existing technology change leadership.** Clarify product manager responsibilities and ensure that those areas of the bank where Product Management is already embraced are cross-sharing experiences with the areas that are less mature.

- **Hire and upskill product management staff in front-office functions where more discrete responsibilities can minimize 'side-desk' change culture and give back time to the front line.** Consider the need for product managers to have extensive business knowledge in that particular area of the bank (e.g., product, market). Developing an internal career path to product management could be one of the ideas.

THE INDUSTRY MUST CONTINUE BUILDING MORE AGILE WAYS OF WORKING FOR MORE EFFICIENCY AND GROWTH

Product Management is just one step forward for the capital markets industry - this is a symptom of a much larger change that is underway. As we described in our previous [article series](#), FIs need to continue building a more agile and efficient culture to set product managers for success and achieve growth and efficiency at the same time. Here are a few ways to do that:

- **Acknowledge the need to move from ‘project’ to ‘product’ mindset (see Exhibit 1).** Consider moving away from the “on time and under budget” mindset to the mindset of continuously improving for better business and customer outcomes whilst maintaining efficiency.
- **Iterate and evolve technology change frameworks.** A powerful and preferred approach to understand the broad set of customer/end-user outcomes and evaluate opportunities is the [Jobs to be Done](#) framework. The insights gained provide product managers a north star around which solutions and change priorities remain flexible and responsive.
- **Build more robust and flexible governance.** Set-up an authority across business lines to oversee enterprise change initiatives and monitor progress. Establish KPIs and data-driven monitoring to ensure change is measurable and can be adjusted through clearly defined metrics (e.g., customer feedback, run rate savings).

FIs must acknowledge innovation and technology leadership as one of key drivers to growth and efficiency. Then you can embrace a proper change in mindset. Product managers act as pillars ensuring technology-enabled outcomes and its end-users are at the center of the change. But the role they play is not enough to achieve better business and end-user outcomes – FIs need to surround them with a more agile and end-user focused culture driven by cost efficiency, improved experiences, and increased profitability.

If you would like to share ideas, please reach us at George.Black@capco.com, Trevor.Williams@capco.com and Alexander.Hamlin@capco.com

“

Given the increasing complexity of capital markets infrastructure, the product manager will be a crucial figure in the transformation of the industry. Their role in facilitating digital implementation with a product mindset will help differentiate market leaders from those that continue to struggle with digital change.”

– George Black, Partner, US Capital Markets Lead

”

Authors

Joseph Suh, Associate

Ervinas Janavicius, Senior Consultant

Alex Hamlin, Principal Consultant

WWW.CAPCO.COM



© 2020 The Capital Markets Company. All rights reserved.

JN_2375

CAPCO