



A Business Case for Outsourced Chief Performance Officers

Investment Performance is part GIPS®, part regulatory and compliance, part performance methodology, part operating model, and part senior management reporting. Add a complex array of data and technology demands and you have a difficult equation to solve. The different skillsets involved make Head of Performance roles difficult to fill. Even the most experienced, credentialed, well-rounded, cape-wearing professional is not an expert in every area and nuance of performance and all the investment data it entails. In some firms, this experience gap can leave performance operations with inadequate knowledge, guidance, supervision, or mentorship.

IN WHAT SITUATIONS DOES AN OUTSOURCED CHIEF PERFORMANCE OFFICER (OCPO) MAKE SENSE?

For years, investment managers have utilized outsourcing to bolster business functions. Driven by growth (actual or anticipated), pressures to reduce costs, or the need to fill missing competencies, firms leverage outsourced services to augment operations, ranging from limited, discrete activities to entire departments. Most investment management firms originate with and maintain their core competencies in developing and executing an investment thesis, NOT with middle or back-office efficiency. Organizations are left with a decision to build, buy, or outsource functions. The decision often results in insular, sub-optimal solutions marked by outdated technology and unbalanced know-how. Temporary fixes tend to evolve into ingrained, long-term elements of an operations patchwork.

These same challenges can extend from functions to specific roles within an organization. The Chief Performance Officer role is critical, and it is not uncommon for firms to struggle to fill it.

In our experience, there are several situations where firms find themselves when an outsourced Chief Performance Officer may be a viable and optimal solution.

- 1. The firm is growing quickly and unsure of what is needed.** In times of growth (and stress!), gaps in experience and competencies can be more pronounced and visible. Firms can benefit from having a strategic partner with a deep and wide range of expertise. Tapping into resources that have “been there, done that” can prove invaluable.
- 2. The firm lacks adequate resources to lead, mentor, and supervise the function.** Organizational structures may propel performance analysts to report to heads of operations who do not have sufficient knowledge or understanding to provide suitable supervision. This is particularly witnessed in small to mid-sized firms.
- 3. Key personnel takes a sudden leave of absence, sabbatical, or there is a gap with staff turnover.** Even when planned, staff departures pose a significant challenge. Finding the right replacement can take a long time and there is a need to manage and lead daily operations or important change initiatives in flight.
- 4. Operations are outsourced but the firm still needs to perform oversight and due diligence.** Even though operational performance functions are outsourced, firms retain responsibility and ownership oversight of their team. Outsourced vendors still rely on asset managers to guide composite inclusion/exclusion rules, oversee and approve production tasks, resolve critical questions, and provide insight into methodology.

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- 5. A merger or acquisition results in a challenging dynamic of systems, data, and methodologies that overwhelm existing staff.** The disparate and, at times, incongruous systems, data repositories, workflows, and methodologies pose a significant challenge for firms involved in mergers or acquisitions. Performance teams may be adequately resourced to maintain day-to-day operations, but the added work related to system conversions, migrations, and implementations, as well as data management and mapping are too much for the existing staff to handle. Bringing in experienced senior resources to orchestrate the transition may offer the best results and prevent extending transition timetables.

MERADIA'S APPROACH

- 1. INITIAL ASSESSMENT** Meradia starts with an assessment/scorecard of the performance operation, including people, roles, existing oversight mechanisms, GIPS policies and procedures, technology, data, and operating model. Valuable by itself, this scorecard can help firms understand how they compare to peers and enables Meradia to know where to focus resources as we assume the Head of Performance role(s).
- 2. CRITICAL SKILLS AND EXPERTISE** Why is performance challenging? It requires specialized knowledge in a changing landscape of rules, regulations, and best practices. Specialized knowledge of the GIPS standards, technical performance and attribution expertise, keeping up with global regulations, and interacting with the front office and compliance - all of which require skillsets that can be difficult to find in one person. Making matters worse, data, technology, and performance methodology are often unique to various asset classes (Equity, Fixed Income, Multi-Currency, Multi-Asset, Private Investments, and Direct Investments). Meradia offers exception breadth and depth across the key aspects of the performance function.
- 3. PARTNER** You'll have a dedicated resource on call (with backup, of course) plus the full strength of our combined team of experts. Even the best resources are not experts in everything – but our collective team is. Our team features some of the industry's best minds in performance, attribution, risk, technology, and the GIPS standards. Meradia works alongside Heads of Operations, Compliance, and Front Office to ensure you have the best resources available via our team of senior, technically skilled, and highly respected professionals.



Laurie Hesketh, CIPM, PMP is a Managing Director who oversees strategic engagements for Meradia's clients. Laurie leads and advises on the complex nuances involved in transformation projects from a change management perspective. She is an expert in investment performance as well as the accounting and market data inputs required. A seasoned consultant, Laurie has served many organizations including asset managers, asset owners, wealth managers, service providers as well as key industry vendors. Having started her career in technology as an application developer and then application architect, she has a strong understanding of the technological underpinnings that are necessary for large-scale transformation and repeatability.



Jonathan Boersma, CFA oversees Meradia's investment performance regulatory offering, including compliance and consulting services for firms adopting the Global Investment Performance Standards (GIPS®). He leverages 28 years of financial services experience to guide clients through the complex transformations and operational preparations required for adopting industry and regulatory frameworks. Through his deep understanding of the GIPS standards, Jonathan blends strategic planning with industry best practices to ensure Meradia's clients achieve investment performance operations efficiencies.



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