

Client relationships



The human element of OCIO



Any plan sponsor, CFO, or treasurer who has run an RFP process to find an OCIO provider knows how much work that process can be. You need to look closely at investment capabilities, reference clients, track records, and pricing, just for starters. And then there's the relationship between the client and the provider—what we might call the human element. Although it's not easy to quantify, don't underestimate the importance of the human element in the plan's success.

Relationships matter

Those who, like me, naturally focus on numbers can be tempted to overlook something as squishy as a relationship. But an OCIO mandate covers many responsibilities—and even though the industry calls this process outsourced chief investment officer, most clients do not give their OCIO provider full discretion: duties are split between the in-house team and the outsourcer. For example, while portfolio management is typically outsourced, major asset allocation decisions usually still happen on the inside.

This sharing of duties means success is dependent on communication between the in-house team and the outsource provider and a healthy relationship is fundamental to keeping things on track. That relationship typically operates at three levels: we call these the client executive, the account executive and the client investment analyst.



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The client executive

The client executive should take a proactive approach to communication, reaching out to clients with actionable market insights that could affect asset allocation decisions. For example, at Russell Investments, our client execs may have recently spoken directly to U.S. clients about [our market outlook](#). Or they may have shared projections on emerging markets or currencies. Markets don't follow a quarterly cycle and a proactive client executive doesn't wait for quarterly meetings to contact clients.

Since every OCIO client is unique, valuable client interaction requires an understanding of the client's goals, preferences and constraints. It's also dependent on understanding the personality of each client—how they prefer to be communicated with, whether they prefer a formal or informal approach, or how much information they may require to make strategic decisions. *The human element.*

This type of deep understanding calls for a relatively small number of clients. And the willingness of a client to seriously consider the advice requires something that's too often the exception instead of the rule in the modern financial services industry: trust.

From the institutional investor's perspective, that trust begins with the client executive—are they seen as investment professionals or as salespeople? Do they have meaningful credentials, such as CFA designations or long tenure in the industry? Do they proactively bring the firm's best thinking to their clients? Do they consistently act in the best interest of clients?

The human element is not easily quantifiable, but it's worth trying. I've mentioned the number of clients per client executive as one measure of the human element. Another is average client longevity: How long do clients stay with the provider? And then there may be client satisfaction surveys: What do independent [third-party survey results](#) say about the overall client experience?

A broader relationship

While the client executive interacts at a strategic level, the account executive focuses on implementing that strategy within the context of the client's other goals, regulatory requirements, and operational consideration. Account executives should serve as the client's primary partner for daily orchestration, both with their own staff and with their other key service providers such as trustee/custodians, paying agents, recordkeepers, and auditors. An experienced and skilled account executive ensures the administrative side of the relationship runs smoothly—not the highest profile of roles, but critical nonetheless.

Further support is provided by the client investment analyst. Analysts bring the investment performance, analytical, and reporting capabilities that are needed for purposeful analysis. This can involve not just the investment portfolio, but also pension liability analysis, market outlook positioning, and peer relative comparisons. Access to investment analysts expands the analytical tools and resources available to time—and resource—constrained CFOs and investment committees.

So there you have it: The human element. It matters, maybe more than ever. In this number-centric industry of ours, keep relationships in mind, because no one succeeds on their own.

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For more information

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