

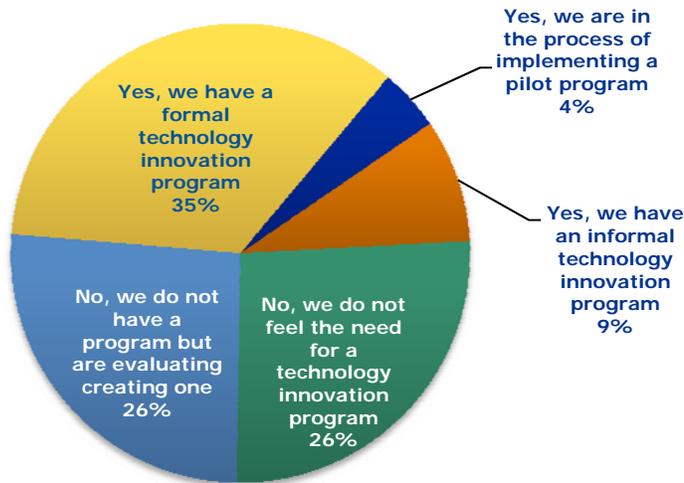


The CutterAdvantEdge

Commentary on Investment Systems and Operations

Harnessing the Power of New Technology

Firms with technology innovation programs



The goal of technology innovation programs can be as lofty as harnessing the ideas of the brightest members of an organization or as practical as keeping up with the firm next door.

In a recent CutterBenchmarking survey, 74% percent of firms responding already have a technology innovation program (formal or informal) or a program is currently in the planning stages. In our interviews, we found that roughly half of the firms without a technology innovation program do have established procedures and processes for on-boarding all technologies, new or not.

Main drivers for establishing a technology innovation programs



For 73% of CutterBenchmarking firms, the top three drivers for establishing a technology innovation program were to capitalize on employee knowledge, to be agile in activating and retiring systems, and to gain competitive differentiation. Interestingly, cost cutting was one of drivers cited least frequently.

The management structures for technology innovation programs vary widely. At 38% of firms, the program is managed by the office of the Chief Information Officer or Chief Technology Officer and many are managed at the director level. At smaller firms a C-level executive is more likely to be in charge, and at larger firms responsibility often falls to one of several managers—the head of IT strategy & innovation, the head of technology risk, a

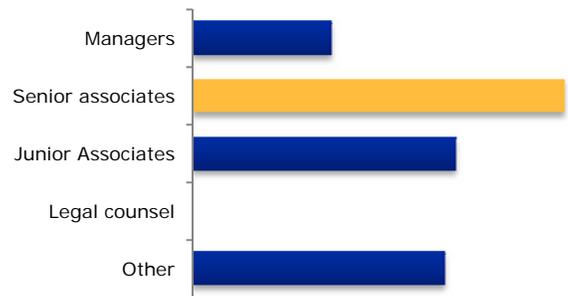
principal in the IT division, an enterprise architect, or the head of IT Infrastructure. In nearly all cases, IT personnel spearheaded these programs.

Staffing – Innovation Programs

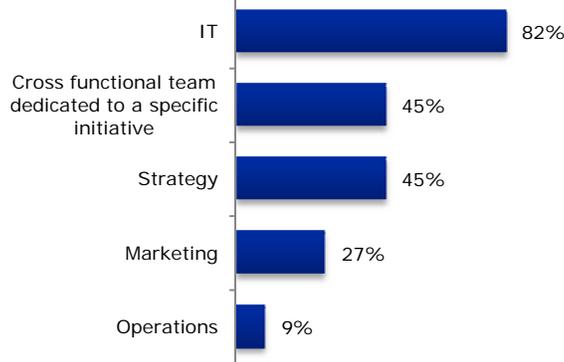
Across all firms surveyed, the average number of employees allocated to an innovation programs is 3.4. Most often, the staff dedicated is at the senior associate level, followed by the junior associate level.

The importance of the respondent's technology innovation programs is indicated by the fact that half of the resources assigned to the program are managers or senior associates.

Staff seniority in innovation programs



What type of professional is most involved in this technology innovation program?

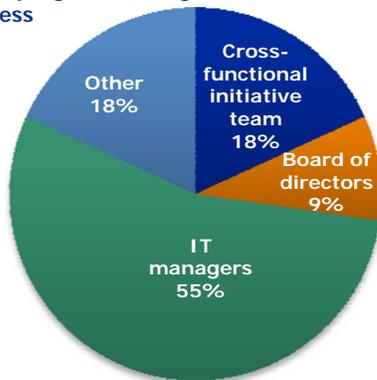


Not surprisingly, IT departments run the technology innovation programs 82% percent of the time. IT dominates the technology innovation program by funding it and spearheading it.

One firm runs their technology innovation program out of the marketing and strategy department. This approach gives the firm a strategic advantage because the marketing and strategy staff best understand the client experience.

Measurement and Effectiveness

Innovation program oversight to ensure its effectiveness



Who measures the effectiveness of a technology innovation program? In 55% percent of firms surveyed, effectiveness is measured by IT managers. But with also IT funding the program at 69% of the firms, you run the risk of creating an inward-looking, IT-driven program. The most effective firms counter this by having cross-functional teams assigned to each project or initiative.

Having both executive and business champions to sponsor innovation programs was a clear differentiator among respondents. As the engagement and participation grows among senior business staff, the quality of the result increases.

Strategies in Action – The Vanguard Group, Inc.

Technology Innovation Program

CutterBenchmarking member Vanguard, driven by a desire to stay ahead of emerging technologies, wants to harness “disruptive technologies.” They define disruptive technologies as technologies that start small but grow quickly, driven by exponentially increasing demand.

How does Vanguard ensure that they are ready for this fast-growing demand? The innovation team set out to answer this question. The result is a formal new technology program that incorporates the business at an early stage.

This team utilizes a formalized process that was established in 2008. The program has all new technologies pass through the same five program stages:

Stage	Goal	Tactics
Emergence	Stay abreast of what is coming	Reading trade publications, attending conferences, networking among technologists
Understanding	Become educated	Select ideas to determine which seem most promising
Evaluation	Partner with business	“Evangelize” promising technologies to business partners
Experimentation	Build out labs	Labs provide a low-impact implementation. IT and business staff are involved. The purpose of the lab is to better understand the technology and to provide data to support a decision of whether or not the benefits of the new technology justify the cost.
Adoption	Transition to IT and business	Once a technology is deemed appropriate, all support and roll out is passed to a team of IT and business professionals, who follow established “on-boarding” techniques, including governance and security overnights.

Key success factors:

- Business executive buy in. “The business has to have skin in the game.”
- Projects must be mutually beneficial to IT and the business in an easily demonstrated way
- Innovative concepts and process solutions are equally important as technology solutions
- Tapping the intellectual curiosity of employees

This is an excerpt of a recent CutterBenchmarking study: [The Application of New Technology in Investment Managers](#). For More information, please contact Eryn Kelley, Director of CutterBenchmarking at ekelley@cutterassociates.com