Cutter
ADVANTEDGE

By Mary Storrs
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Technology Innovation Pays Off

It's fascinating to learn about innovative technology and the new capabilities it can provide. It's even fun to learn the meanings of new acronyms and buzzwords. New technology is cool. But for investment managers, new technology can also cause anxiety because it represents a risk of falling behind competitors who can adopt it more quickly or more effectively.

At the beginning of 2017, we asked our investment management clients to identify their high priority initiatives heading into the new year. Among their highest priorities was figuring out how to evaluate new technologies quickly, while also ensuring measurable improvements to their operations and investment processes.

Two years later, we find that our clients are satisfied with the results of those initiatives. They found compelling business cases for new technologies including robotic process automation (RPA), business process automation, artificial intelligence (AI), machine learning (ML), big data analytics, and cloud deployment. Some of the technologies considered innovative then are now considered "must-haves."

Our clients are collecting fees more quickly because they've deployed new technologies that accelerate their client on-boarding processes. Their reconciliation processes are more exception-based and efficient because they're leveraging machine learning to replicate manual matching patterns. Front office personnel are making better investment decisions, supported by Quant teams using big data analytics to evaluate text, alternative data, and other unstructured data. They are managing risk more effectively because they're using machine learning to analyze investment news and generate input for their risk models. And they are improving the client experience with faster data access, by leveraging the vast processing power of vendors' cloud offerings.

The Talent Retention Challenge

- According to the Bureau of Labor statistics, the Finance and Insurance sector had an unemployment rate of just 1.8% at the end of 2018
- At the end of 2017, for every two job openings in the industry, firms were only successfully filling one
- Firms need to get creative in the recruitment process, benefit offerings, and career paths in order to retain staff

Get insights into best practices for attracting and retaining technology talent at our upcoming member events in **New York** and **Los Angeles**.

We'll be joined by guest speaker, Keith Robinson from Focus Consulting Group, as he shares the firm's research and best practices for attracting and retaining technology talent in our ever-changing industry.

Investment managers are working to measure return on investment (ROI), beginning with the easy part: measuring their technology investments, including the costs of buying software licenses, redesigning processes, implementing new systems, and updating infrastructure. The hard part is measuring return, which includes determining and comparing the time required per unit of work before and after implementing the technology innovations. Measuring return can also mean quantifying reduced risk, fewer process delays, and improved client service. Some investment managers thought their technology investments might reduce their staffing levels. But recruiting and retaining qualified staff has become a critical concern, so most firms are choosing to retain staff and redeploy them to perform higher value tasks.

Although many firms can't quantify the returns on some investments in innovative technologies, the non-quantifiable evidence seems compelling. Our clients remain prudent about how they use their financial, technical, and human resources, but they are also fostering a corporate culture of exploration and controlled risk-taking. They feel they have reason to believe that innovations in culture and technology are helping them to improve their investment decisions, optimize their operations, improve current clients' satisfaction, and attract new clients, in ways that are tangible, if not always measurable.

About the Author

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Mary Storrs has more than 30 years of experience in the investment management industry. She has been with Cutter Associates for more than 20 years, first as a consultant focusing on front office projects, and then with CutterResearch since its inception. Mary has authored CutterResearch reports on many topics, including trading, portfolio management, transaction cost analysis, investment research management, and market data systems. She assumed leadership of the Research division in 2011 and oversees all the research Cutter Associates delivers to our members, ensuring that content is relevant and timely. Mary also leads the CutterBenchmarking team, helping our members understand their capabilities compared to industry peers and to industry best practices. Mary holds a B.S. from Boston College and an M.B.A. from Babson College.