

Theme: **Technology Adoption & Change Management in the AM industry**

Title: **To lead or to follow that is the question**

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The investment industry is at an inflection point. Super-convergence and cognitive technology solutions are likely to recalibrate the operational and commercial relationships between institutional asset owners, asset managers and asset services providers. Keen to reduce operating risks, costs and process complexity, all three constituencies appear to evolve their operating platforms at a different pace and with different solutions for what are often common problems. *“To lead or to follow”* is a key question executive teams are currently struggling with when searching for new technology and process solutions.

The asset management industry is not renowned for rapid and agile adoption of emerging technologies or new modus operandi. Cynics believe that it couldn't manufacture an automobile as it would have to collaborate with competitors and various suppliers, operate with thin profit margins and continuously reinvent its products.

So far, and perhaps for not much longer, lower fees and other P&L pressures have not yet forced significant actions and change appears to remain largely incremental and opportunistic rather than supportive of a step-change strategy. Hierarchical bottlenecks and career risk aversion, can limit an enterprise's ability to positively embrace change, let alone demanding continuous challenge of status quo.

Regulatory transparency about fees and investment risks has fundamentally and irreversibly changed the engagement with clients for the better. Institutional asset owners want mobile near real-time access to their investment transactions and positions as well as analytics on investment risks, performance and fee attributions. Distributed Ledger Technology (DLT) now enables simultaneous sharing of such data in a private or public domain.

Emerging procurement strategies suggest that global asset managers are considering the sourcing of expertise, technology, securities services and data solutions from fewer, or sometimes only one provider, while retaining an appropriate level of control and oversight. Big data infrastructures are emerging, helping to capture and analyse fast amounts of structured and unstructured data.

The use of cloud-born applications, delivered as Software-as-a-Service (SaaS), as well as robotic process automation (RPA) are priorities pursued by most asset managers at present. Most also have a digital transformation programme. However, few firms consider digital transformation to be about a changing mindset rather than solely about technology. They should. “Quantopia” is upon us, as data has become the new crude oil.

Asset managers of the future are enterprises that successfully

- involve clients in their product development process
- develop data analytics that overcome data overload to form a prime basis for making decisions and to predict trends
- diversify their talent pool by hiring change and leadership experience from other industries (e.g. engineering, manufacturing, retail or high-performance sports)
- experiment with technologies that augment human intelligence to improve investment and distribution models
- collaborate with innovative and uninhibited firms, including FinTech’s, for stress testing or developing new business models

“To lead or to follow” remains the question. Legacy systems and processes are a mountain everybody has to climb eventually. Early adopters of new technologies can benefit not only from new functionality, but also from mobilising their organisation for a step-change in their operating model. Our industry is familiar with the concept of ‘higher risk – higher rewards’. Fast followers are likely to end up with a ‘me-too’ solution. Not necessarily a great position to be in, when differentiation of investment and operational performance is essential.

Undoubtedly, while past performance is not indicative of future results, future results are based on the performance of talent and technology. Industry consolidation is finally upon us.