

Theme: [Asset Management during the pandemic](#)

Title: **Shaken, but not yet stirred...**

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[Are you on mute?](#)

Within a few months after the start of the outbreak, the pandemic accelerated a long overdue recognition of the importance of [resilient technology](#) and [erudite leadership](#).

Since then, we have had to learn how to lead a business via a laptop as well as how to lipread participants on a video conference while on mute... working from home is difficult for most and communicating through a screen can never replace the intensity of human interaction. According to Professor Albert Mehrabian (University of California, Los Angeles), only 7% of communication are words, 55% is body language and 38% is the tone of the voice. It is thus not uncommon to either miss-interpret comments or misdiagnose the team's sentiment.

Guiding a workforce that is extensively remote requires new, [more inclusive hierarchical structures](#) and communication channels, virtual and physical collaboration space for teams and a platform through which expertise and knowledge can be shared. Future talent pools will need diversifying. IT pioneers and data scientists are likely to play a bigger role than fund managers and data administrators going forward.

Setting new leadership norms to create cohesion, collaboration and trust between [virtual teams](#), requires [IQ](#) and [EQ](#), as well as a healthy amount of [DQ](#) (decency quotient). The latter is particularly important as it enhances a business' culture and thus sustainability and success, at the same time reinforcing the imperative of diversity. Augmenting employees to become [stakeholders of the business](#), both in terms of remuneration and decision making, will be critical to attract talent.

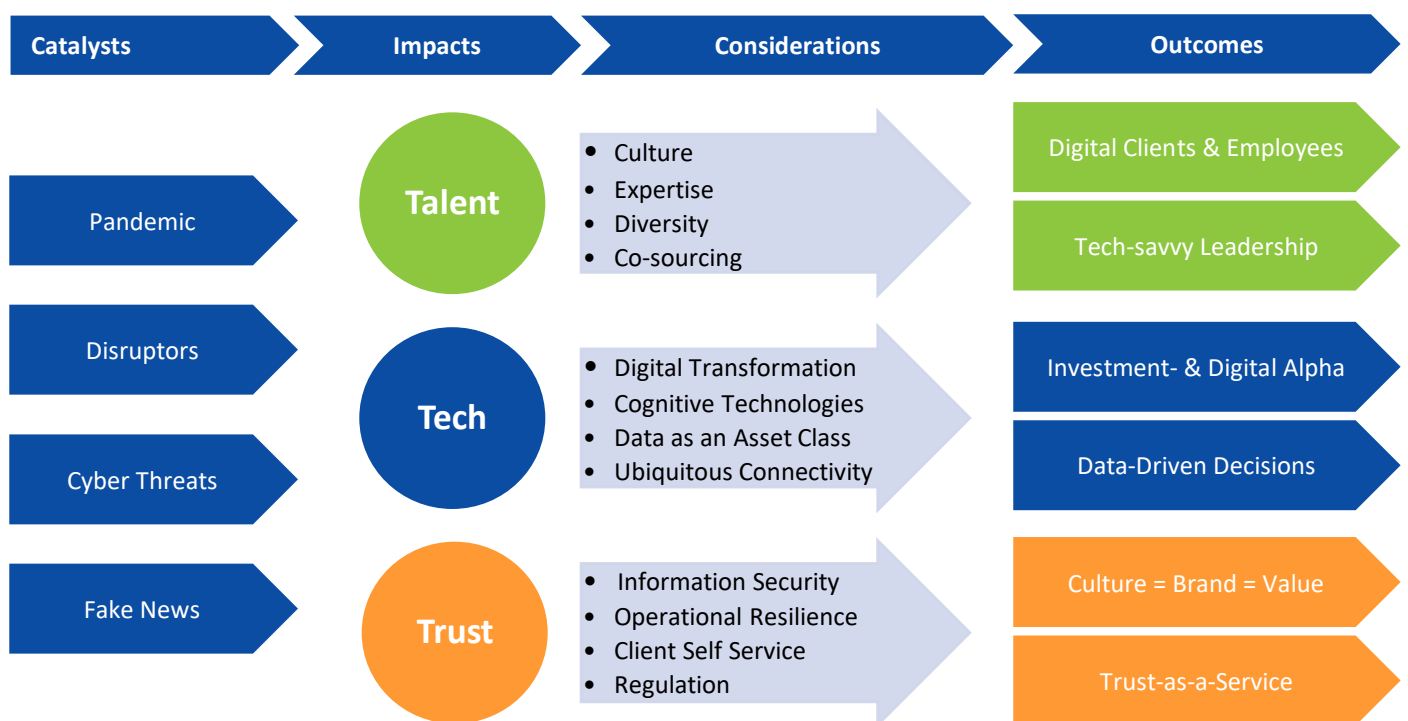
[Chain Reaction](#)

The financial services industry has proven reasonably pandemic-resilient as trading and investment activities continue, in the main, unabated. Nevertheless, cushioned by enticing profit margins, the institutional asset management industry has for many years talked about the need to reinvent itself in view of the ever-expanding [digital economy](#). Only a few firms appear to have taken foundational steps by investing in technology to replace legacy systems or hiring talent from outside their industry to prepare their skill pools for a [tech and data dominated operating environment](#).

Powerful technology solutions help us to surface, analyse, aggregate and visualise yottabytes of structured and unstructured data from countless sources. Deeper and more extensive data sets support the construction of bespoke investment portfolios as well as the measurement of the sustainability and societal impact of investments made (ESG).

Digital alpha, the generation of investment alpha through the application of artificial intelligence (AI) and machine learning (ML), is clearly upon us. For active fund managers, the challenge will be the level of performance fee they can charge for digital alpha. Fees are likely to be akin to those levels applied for quant active products – at best.

Unlike investment banks and retail financial services providers, asset managers have not been disrupted... yet.



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The pandemic has accelerated, not slowed down, the need to address and execute critical success factors such as:

- improving (digital) client experience and self-service tools
- enhancing the curation, visualisation and commercialisation of data
- embracing cognitive technologies to provide quantitative data for decision making (client insights, investment research, risk modelling, etc.)
- expanding (digital) distribution channels, in view of the competitive offering from existing retail eCommerce platforms

- innovating **new (digital) investment products** to ensure time-to-value
- reducing **operating costs** across the investment research and portfolio management functions through technology (AI, ML, NLP, etc.)
- augmenting IT architectures to seamlessly **interconnect (via APIs)** proprietary systems with third party solutions
- enhancing the organisation's **resilience and agility** to respond to potential future crises, including the likelihood of considerable **cyber threats**
- diversifying the **talent pool** by incorporating experience from other industries
- adjusting the organisation's characteristics and knowledge – **culture** – to a world which is less predictable and more challenging.

The Changing of the Guard?

With technology playing a strategically critical role in the competitive battlefield, future asset management CEOs may well have had experience in running businesses in the technology, eCommerce or engineering sectors. A few have already elevated their IT leaders to the top management committee and even fewer have recruited non-executive directors from the tech sector onto their Boards.

Regardless of whether it is in-house or co-sourced, having access to a **diversified talent pool** that can simplify and automate core processes is vital. Technology and data management functions are becoming business-critical competences. IT and operations teams are no longer just internal service providers or the “back-office”. Rather they are central to enabling, protecting and supporting the growth of a progressive asset management business.

Shaken, not yet stirred...

There are clear signs that the asset management industry has been shaken by the operational, commercial and social impacts of the pandemic. Now is the time to lay the foundations for a gradual metamorphosis into a **talent- and technology led organisation**. Despite regulation, the barriers to entry into retail and institutional asset management have never been lower, with eCommerce and global technology providers gradually stirring up traditional operating models. They have the technology, they have the data, they have the money to invest and all they need now is to acquire the talent.

For those asset managers that are not taking decisive actions now, they will be **shaken, stirred** and **disrupted** or worst, stand still and fade away.

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