

## ICI VIEWPOINTS

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## Ops Leaders Extol the Transformational Power of Data and Analytics

By Todd Bernhardt

The evolution of fund companies' ability to gather and analyze data is creating a revolution in the way that those companies serve their customers, said panelists at "Big Data Initiatives and the Power of the Cloud," the session that kicked off ICI's Operations and Technology Conference on May 19 in Washington, DC. Led by moderator Julien Courbe, partner and U.S. asset management advisory leader for PwC, the panel of experts—including Kyle Mallot, vice president for DST Systems, Sumedh Mehta, chief technology officer for Putnam Investments, and Wendy L. Walasek, executive director of asset management for JP Morgan Investment Management—shared their experience and advice with a packed room of fund industry operations leaders.

### Transforming 'At Rest' Data into an Asset

Improvements in data gathering and analytics mean that "we can now automate what were manual processes," said Walasek, which in turn "decreases distractions and increases productivity." This transformation won't be instantaneous, however. "When you get started, not every use case will work," she warned. She recommended that tech teams adopt a "fail fast" approach that enables companies to quickly try something, figure out whether or not it works, then move to the next approach when needed.

This is where the "cloud"—a shared, easily accessible data environment—can come in handy. All of the panelists said they were in the process of building and evaluating both internal and external cloud systems, because—as Mehta explained—"you can create multiple environments very quickly, and deploy fast." But all of them also cautioned that these deployments must be done right.

Though cloud computing can offer security enhancements, due to vendor expertise and the hardened information security environment provided, the panelists expressed reservations regarding ownership of data that are unique to the fund industry. Mallot, for example, said he had "strong concerns" about firms putting any personally identifiable information in an external cloud. Walasek told listeners that when moving to cloud-based platforms, "you need to adapt your processes and development" while preparing for the unexpected—which she whimsically called "the chaos monkey."

The outcome of such efforts, said Mallot, is "to transform 'at rest' data into an asset." Mehta agreed, saying that "having information readily available at your fingertips makes you more credible, and helps to build value." Because of his firm's expanded work with data and analytics, he said, "we're becoming more of a learning organization," one that is better able to understand and predict the behavior of its customers.

### Patience Is Key

But for all its benefits, this transformation is not easy. Building out a robust data and analytics program "is not for the faint of heart," warned Mallot. "It requires a substantial investment, especially if you operate in a hardened [information security] environment." Besides the need for funding and the executive support that this requires, he said that every program requires three elements: the right talent (including outside partners where appropriate), the right technology, and "the governance to oversee all of that....It's so important that you do things the right way"—meaning that firms must take pains to "ensure anonymity and security."

Mehta explained that this process will be different "according to the people, the culture, the rate at which you can absorb change." Patience also is key. Once "you've gotten the data in the right place," said Mallot, "you can focus on structure, mapping, governance." Walasek agreed, warning the audience that they need to watch out for unrealistic expectations from others in their organization "that some kind of magic happens." That's not the case, she emphasized—you "have to carefully structure data before analyzing it." Only

then can you realize the benefits.

Ultimately, the success of such efforts rests upon organization-wide support. Pushing data-gathering and analysis initiatives through the organization—which is what’s needed to truly realize their benefits—requires “a solid change-management process” that demonstrates to everyone in the company that this is a “shared win” that has the potential to “transform the business we’re in,” said Mehta. On the IT team, he said, “we are always working with our business partners to meet expectations at scale, and at the quality they need.”

## The Right Thing to Do

Of course, all of this change management must happen in the robust regulatory environment of the fund industry. Mehta elicited nods from everyone on the panel when he pointed out that “the core requirements of the asset management industry are unique,” adding that “we have to build IT solutions that bake in our regulatory controls.”

In addition, these leaders and their staff must develop business solutions with an eye to the future while operating in a rapidly changing environment. “I don’t want my team in the business of creating legacy,” insisted Mehta. “We have to constantly examine and assess new technology and trends.” Walasek agreed, acknowledging the added difficulty of coordinating efforts across a company: “As technologists, we can implement enormous change quickly. The question for the business side is, can you consume it?”

Despite these challenges, the reward can be enormous. “If you look at the things that our customers are asking us to do regarding retirement, distribution, and compliance, they want insight,” said Mallot. “We’re providing that.” Effective data gathering and analysis efforts can help firms understand “what’s driving the behavior of advisers and customers,” enabling better service, he explained.

The key, added Mehta, is to “join multiple sources of disparate data in a way that’s unique to you.” That’s where “the value is really created.” Ultimately, he said, despite the effort involved, it’s worth it. “This is the right thing to do for our company and for our shareholders.”

Todd Bernhardt was senior director of public communications at ICI.