

Data Management Challenges in The Investment and Asset Management Sector

How Investment Firms
Can Improve TCO and ROI with
Managed Data Service Partnerships



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Executive Summary

To improve the return on investment (ROI) and reduce the total cost of ownership (TCO) of their data management operations, many investment firms are turning to data technologies and outsourced data management services. A robust combination of data solutions and outsourced capabilities can help these firms reduce costs by automating manual processes, improving decision-making, and enabling more effective risk management.

However, investment firms must also address some common challenges related to data governance and architecture. Many organizations are still limited by their current data management capabilities. They are also engaged in partnerships that don't provide them with the benefits they need to reduce TCO and improve ROI.

This report explores some of the ways that investment firms can overcome these challenges through a re-evaluation of their current solutions and partnerships. It also sheds light on the many benefits financial firms have realized thanks to their ability to outsource parts of their data operations.



About the Respondents

The WBR Insights research team surveyed 100 respondents from finance organizations across the U.S. and Canada to generate the results featured in this report.

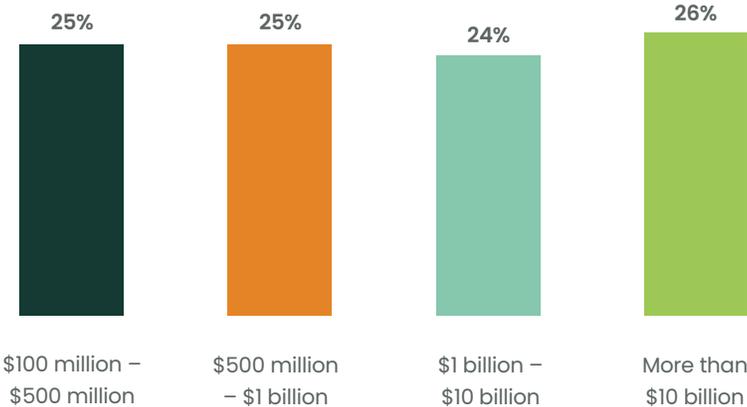


Which type of company do you represent?

- 22% Asset Management
- 19% Hedge Fund
- 19% Insurance
- 18% Wealth Management
- 11% Asset Owners (e.g., Pension Funds)
- 11% Asset Servicers

The respondents represent a variety of institutional wealth management organizations, including asset management firms (22%), hedge funds (19%), and insurance organizations (19%).

What is your company's annual revenue?



The respondents represent a variety of company sizes, as measured by annual revenue. However, exactly half of the respondents represent companies that make \$1 billion or more annually.

About the Respondents



What is your seniority?

- 8% C-Suite
- 17% Vice President
- 23% Department Head
- 51% Director
- 1% Manager

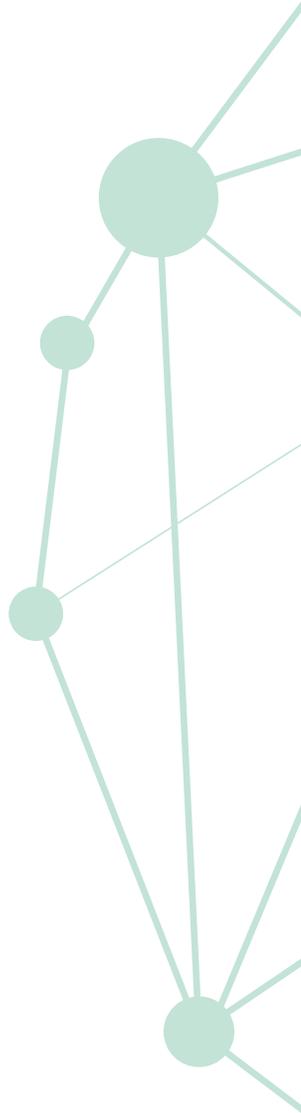
At 51%, most of the respondents are directors. The remaining respondents are department heads (23%), vice presidents (17%), C-suite executives (8%), and managers (1%).



What is your role?

- 22% Data Management
- 20% Operations
- 20% Data Analytics
- 20% Information Technology (IT)
- 18% Data Quality

The respondents occupy roles in data management (22%), operations (20%), data analytics (20%), information technology (20%), and data quality (18%).



Key Insights

Among the respondents:

- Only **25% of organizations** can currently source and manage all their data inputs effectively.
- Most can leverage data for research (**78%**), portfolio management (**70%**), risk measurement (**67%**), DataOps (**65%**), and performance management (**52%**) with their current data tools.
- Their two most significant challenges to leveraging data in 2021 were **regulatory compliance** (**39%**) and **reducing time to business value** (**37%**).
- **79% are currently realizing risk reduction** and **73% are realizing agility** thanks to their data solutions, managed data services, and internal data resources.
- **26% say risk reduction** and **21% say scalability** are benefits that align with their primary data objectives over the next 12 months.
- **55%** claim their organizations currently used **managed data services**, but **56%** of these respondents are **only somewhat satisfied with those services**.
- **49%** who aren't currently using managed data services are **considering them** in the next 12 months.
- **26%** believe managed data services would **reduce time to onboard new data sets**, while **25%** believe they would **reduce downstream risk**.
- Most claim their organizations either **sometimes struggle** (**39%**) or **frequently struggle** (**14%**) to **add new data sets and meet the demands** of downstream data consumers in a timely way.
- **35%** claim their **organizations struggle to properly control entitlements and permissioning** – potentially putting them at risk during a vendor audit.
- Most will **outsource** either the **same amount** (**49%**) or **more** (**44%**) of their data management in 2022.



Firms Have Opportunities to Enhance Their Data Capabilities

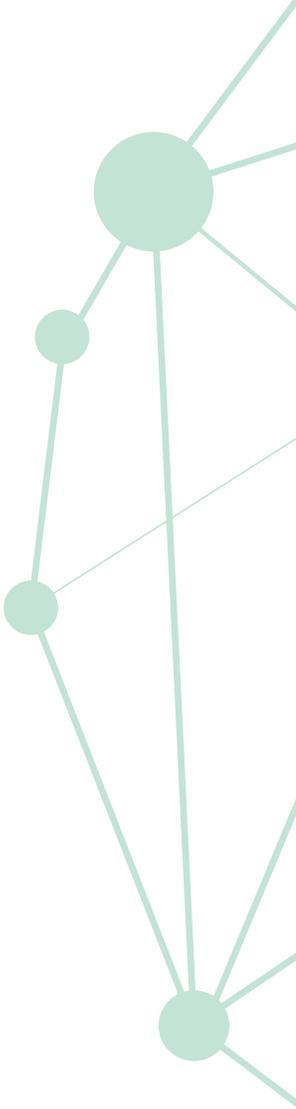
Achieving efficiency with data requires a combination of digital solutions and outsourced services. However, to begin scaling, organizations must be able to draw data from all their inputs.

With your existing data tools, solutions, and services, how many of your business's relevant data inputs can you currently source and manage effectively?



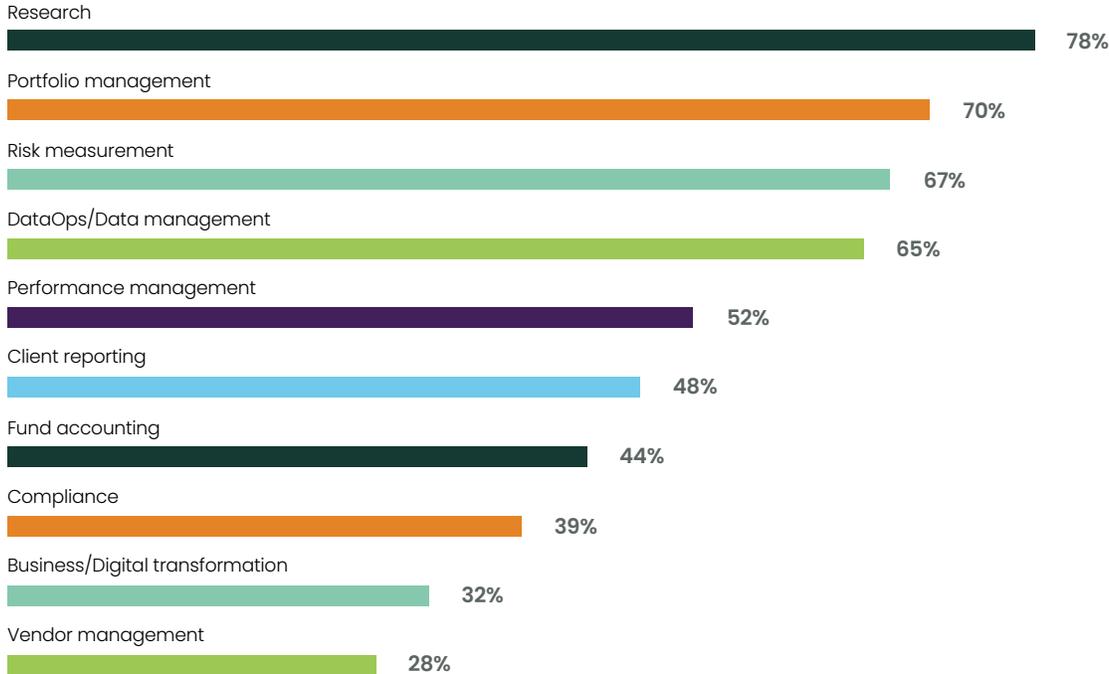
Currently, only 25% of the respondents can source and manage data effectively from all their data inputs. Although more than one-third of the respondents can do so from most of their data inputs (34%), a significant portion of the respondents can only do so from some of their data inputs (41%).

Most investment organizations are missing opportunities to both source and manage data that could help them obtain insights and reporting. If the respondents were able to source and manage data from all sources, they could also reduce the total cost of ownership of their assets and potentially improve ROI. With complete visibility into their assets, they could leverage their data for more capabilities, delivering better results for their customers and stakeholders.



Firms Have Opportunities to Enhance Their Data Capabilities

With your existing data tools, solutions, and services, for which of the following use cases are you currently capable of leveraging actionable data?



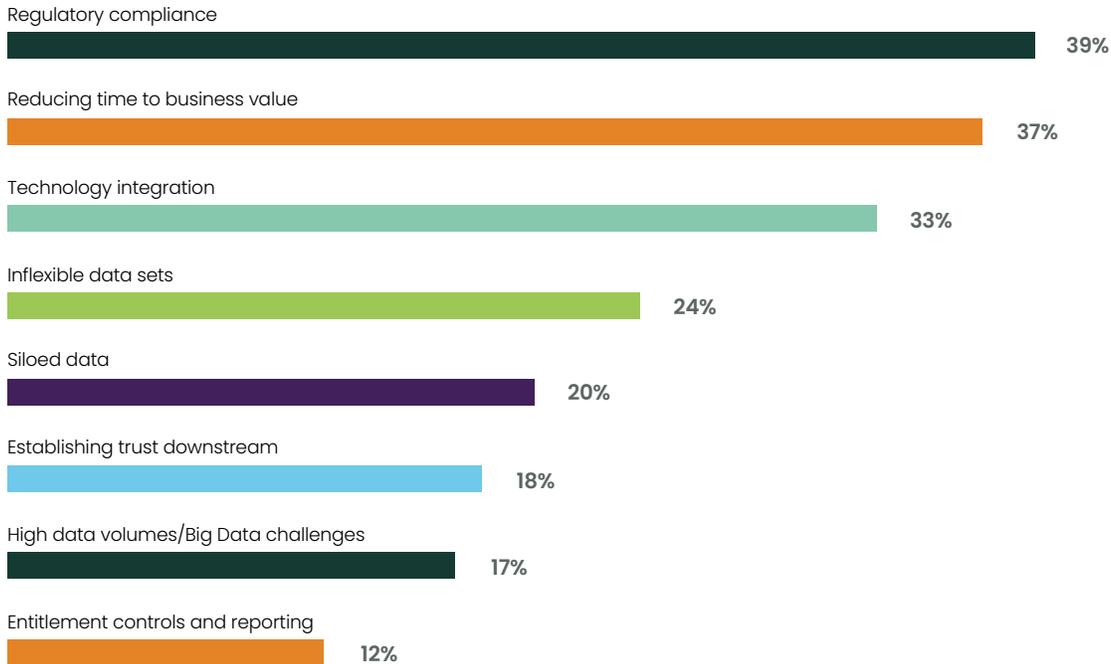
Most of the respondents can already leverage their data for a range of capabilities thanks to their current tools, solutions, and data services. A majority of respondents can leverage their data for research (78%), portfolio management (70%), risk measurement (67%), DataOps (65%), and performance management (52%).

However, most of the respondents have opportunities to leverage their data for capabilities that could be beneficial to clients, such as client reporting and fund accounting. Other capabilities that most of the respondents aren't currently capable of could significantly impact the bottom line.

For example, compliance automation can reduce compliance costs, which can have a significant impact on ROI in the financial industry. Firms must be able to identify inefficiencies quickly and streamline their compliance operations. This will unlock new opportunities to use data while reducing risk in the process.

Firms Have Opportunities to Enhance Their Data Capabilities

What were your two most significant challenges when trying to leverage your data in 2021?



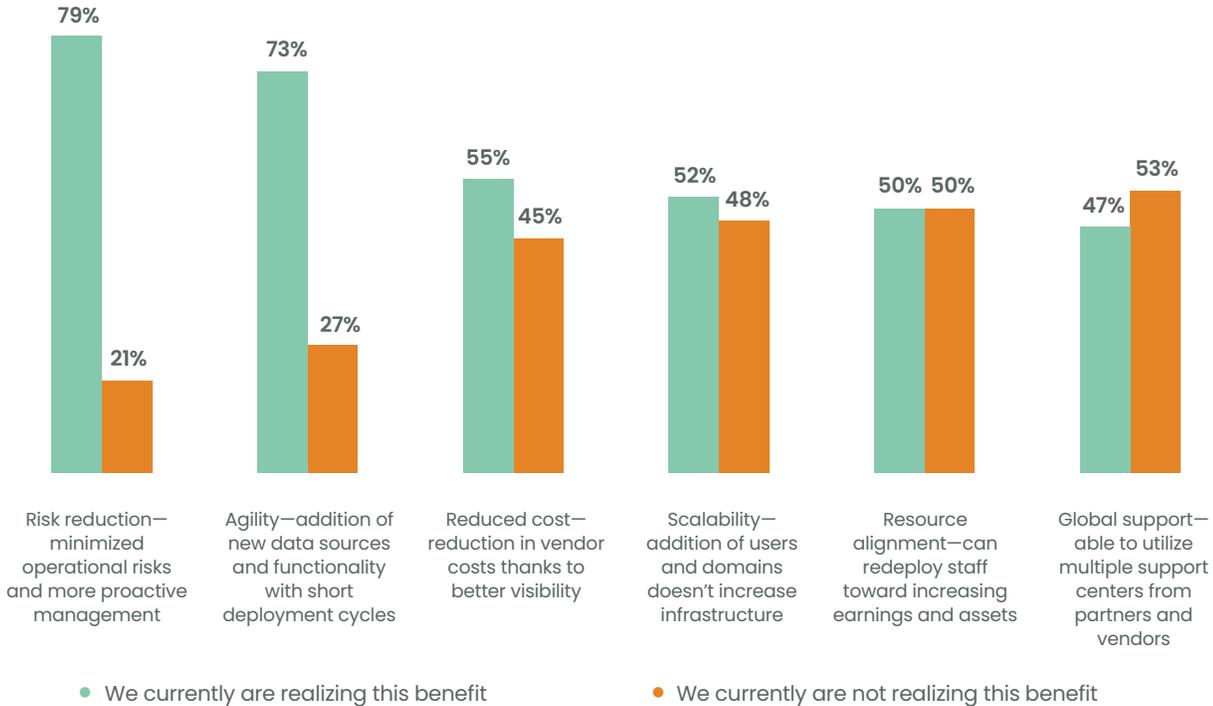
Indeed, 39% of the respondents say regulatory compliance was one of the most significant challenges for them when trying to leverage data in 2021. Financial organizations whose client-base spans across borders must often comply with a range of compliance and security regulations to use data from their clients.

Difficulties in compliance can result in data silos. Often, it means companies can't derive as much value from their data, as they may not be able to use it in an efficient way that complies with all financial regulations. It can also open companies to the risk of fines and other measures, which can reduce ROI.

Notably, 37% of the respondents say reducing time to business value was one of the most significant challenges to their attempt to leverage data in 2021 as well. As we will learn, many of these firms have developed important capabilities thanks to their partnerships and internal solutions. However, a significant portion of them have not yet done so.

Firms Have Opportunities to Enhance Their Data Capabilities

Which of the following benefits are you realizing currently thanks to your data solutions, managed data services, and/or internal data resources?



Nonetheless, the respondents are realizing some significant benefits from their current data solutions, managed data services, and internal data resources. Most of the respondents are currently realizing risk reduction (79%), agility (73%), reduced costs (55%), and scalability (52%).

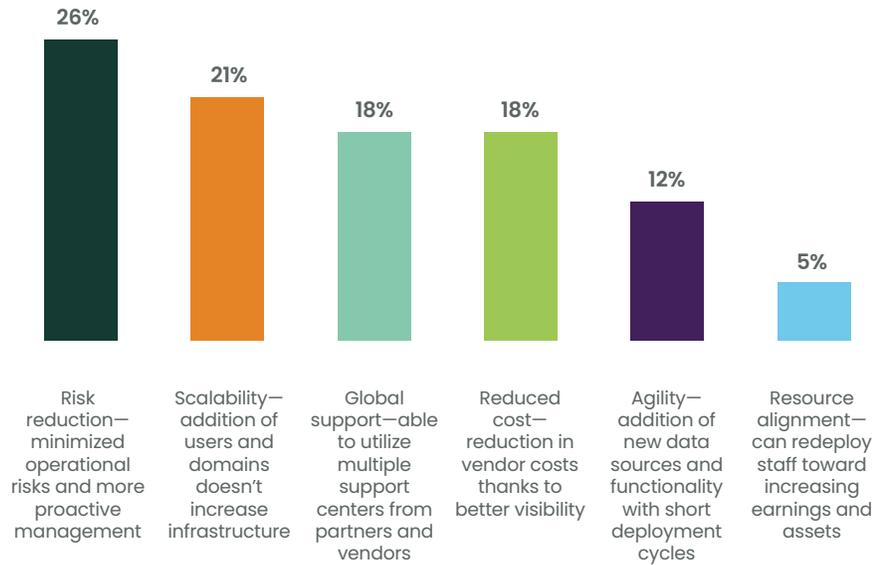
Operational risk typically refers to risk due to errors, breaches, and other types of damages. Minimizing this type of risk has been key to improving ROI and reducing the total cost of ownership for higher-risk assets. Meanwhile, agile financial organizations can deploy new data sources and obtain functionality quickly, enabling them to adapt to market changes more effectively.

Despite many realized benefits, many of the respondents are still struggling to draw as much value from their data operations as they could. Almost half of the respondents are currently not able to obtain the visibility they need to reduce vendor costs (45%) and add users and domains without increasing infrastructure (48%). Half of the respondents struggle with resource alignment and most of the respondents (53%) are unable to utilize multiple support centers from partners and vendors around the world.

Realizing these benefits may require a re-evaluation of the organization's data solutions and external services. For example, companies may wish to partner with managed service providers who provide global support if they intend to scale operations to different regions or sectors.

Firms Have Opportunities to Enhance Their Data Capabilities

Which one of the previously listed benefits aligns most with your primary data objective over the next 12 months?



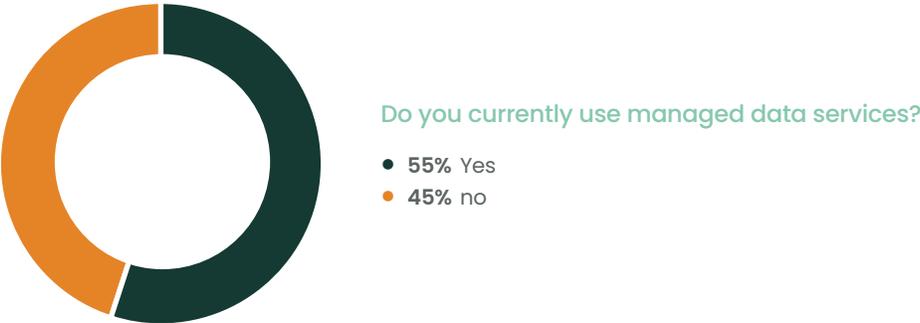
These deficits align with the respondent's data objectives over the next 12 months. Although 26% of the respondents cited risk reduction as their primary data objective over the next 12 months, 21% cited scalability and 18% cited global support.

Financial organizations must search for solutions and partners that can provide these capabilities if they don't have the means to develop them internally. This will enable them to reduce risks and costs, but also create an infrastructure that empowers them to scale.

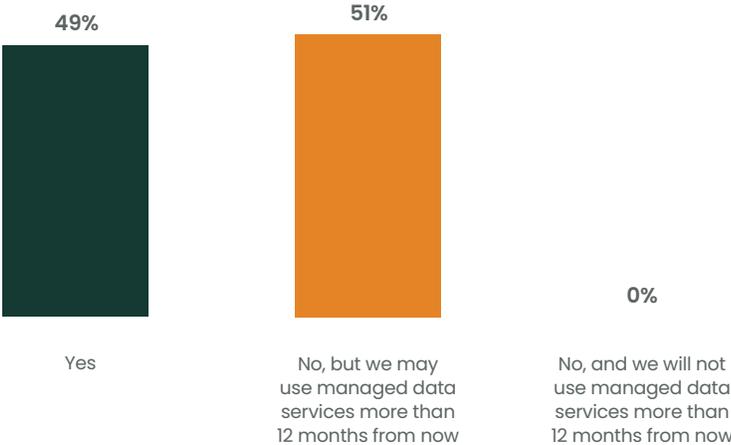
Managed Data Services Improve ROI and TCO

Investors and investment management firms need robust data solutions to reduce risk, improve compliance, and draw more value from their data. Not only are data management operations becoming more complex, but many financial organizations are increasingly reliant upon third-party services to ensure they can manage data in a way that reduces the costs of their assets and improves ROI, both for the company and clients.

Managed services providers now play an important role for investors, investment firms, and other types of financial organizations, handling a significant amount of their data capability. As such, the right choice in managed service providers can mean the difference between improving returns and remaining stagnant.



Since you said “No,” are you considering managed data services for your firm over the next 12 months?

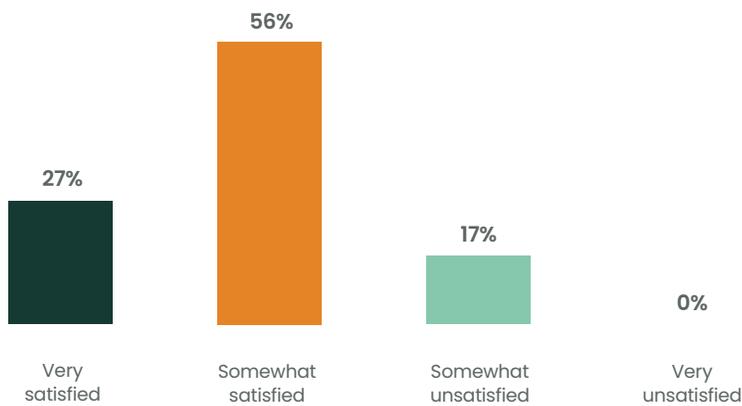


Managed Data Services Improve ROI and TCO

At 55%, most of the respondents currently use managed data services. Although a significant number of the respondents do not, about half of these respondents (49%) are considering managed data services over the next 12 months and 51% say they may use managed data services more than 12 months from now.

These results speak to the ubiquity of managed data services in the financial industry. It also suggests that most investors, investment firms, and other financial organizations are deriving a significant amount of value from these relationships.

Since you said “Yes,” how satisfied are you with your current managed data services?



Most of the respondents who currently use a managed service provider for data management have generally favorable views of their partnership. Specifically, 56% of these respondents are somewhat satisfied with their current managed data services and 27% are very satisfied.



Since you said “Yes,” have your current managed data services reduced the total cost of ownership (TCO) for your assets, improved your return on investment (ROI), done both, or done neither?

- 31% Reduced TCO
- 36% Both reduced TCO and improved ROI
- 29% Improved ROI
- 4% Neither reduced TCO nor improved ROI

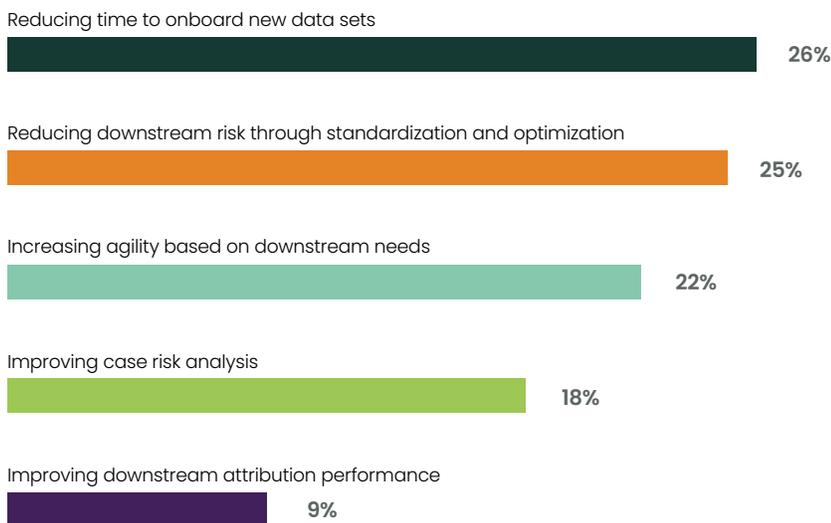
Managed Data Services Improve ROI and TCO

Furthermore, most of the respondents are realizing tangible business benefits thanks to their partnerships with these providers. Only 4% of these respondents say their partnerships haven't reduced TCO or improved ROI.

Nonetheless, some of these respondents may wish to reconsider their current data management partnerships based on the potential value they could achieve. Although over one-third of these respondents (36%) have both reduced TCO and improved ROI through their partnerships, 31% have only reduced TCO and 29% have only improved ROI.

Ideally, a managed service provider should help to reduce the total operating cost of holding an asset throughout its entire lifecycle while also improving ROI through efficiency. Managed data services providers must enable better performance of the organization's assets, but they must also reduce risk.

Whether you currently use, plan to use, or don't plan to use managed data services, which functions of your business do you believe would benefit most from managed data services?



This paradigm is present in the respondents' responses to the next question. Among all the respondents, 26% believe managed data services should help them reduce the time it takes to onboard new data sets, while 25% believe they should reduce downstream risk through standardization and optimization. A significant portion of the respondents (22%) also believe managed data services should increase their agility based on downstream needs, such as the needs of portfolio managers.

Many organizations partner with managed services providers because they hope to unlock turnkey benefits like those listed here. However, others do so out of a need for expertise.

Managed data service providers are in a unique position to help organizations with internal change management within the data space. In verbal responses, the respondents describe some of their most pressing change management challenges. Several of the respondents say that managing resistance to change internally has been a long-standing challenge.

Managed Data Services Improve ROI and TCO

"Managing resistance in change management has been a regular challenge," says a C-level technology executive at an asset owner. "Human emotions come into the picture."

Similarly, a data quality director at an asset management firm says their biggest challenge is, "ensuring everyone that change management is necessary and gaining support from them to achieve planned goals."

Additional respondents say aspects of people management, such as "communication," "data culture shifts," and "participation," are significant challenges.

However, other respondents say they struggle with many of the technical aspects of change management, including "managing change to data models," according to a data analytics head at an asset management firm.

"Parallel testing of new processes is a time-consuming task and interrupts the flow of data management," says a VP of data management at another asset management firm.

The respondents indicate that change management in the data space is both a challenge for human operators and their organizations' processes and technologies. Many of the respondents also say that they struggle to manage simultaneous changes to their data operations while maintaining continuity.

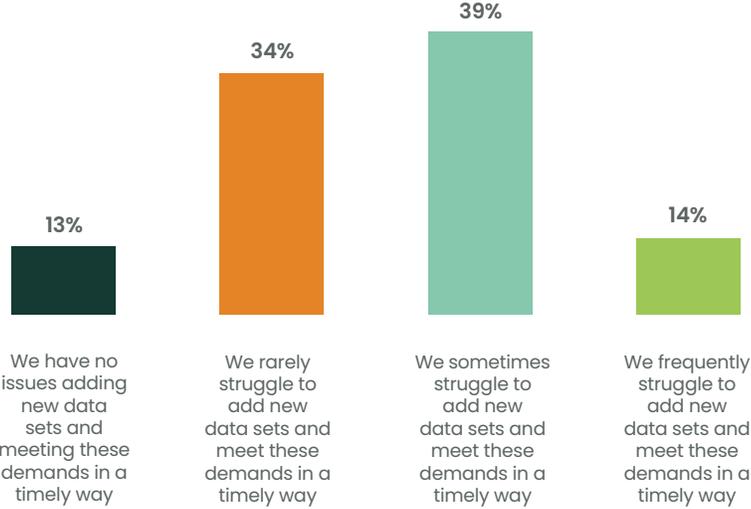
In most cases, managed data service providers could assist with these challenges. Not only can they provide firms with more capabilities on the technical side, but they could also provide guidance when it comes time to execute changes internally. Successful change management requires achievable metrics and documentation, but also training and education.



Some Firms Struggle to Add New Data Sets

Asset management firms, hedge funds, and other types of investment organizations must be able to add new data sets to meet the demands of their downstream data customers. For example, mutual funds, institutional investors, and high-net-worth individuals rely on the data provided by asset management firms to make decisions, reduce risk, and stay agile. Any disruption to the accuracy and timeliness of their data demands can result in increased risk.

How would you rate your timeliness when adding new data sets to meet the demands of downstream data consumers?



At 53%, a slight majority of the respondents say they either sometimes struggle (39%) or frequently struggle (14%) to add new data sets and meet the demands of their downstream customers in a timely way.



Do you struggle to properly control entitlements and permissioning—potentially putting you at risk during a vendor audit?

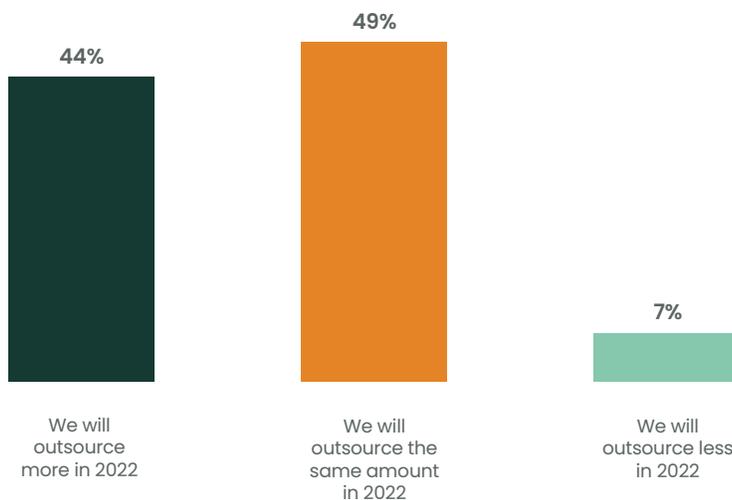
- 35% Yes
- 65% No

Some Firms Struggle to Add New Data Sets

Similarly, over one-third of the respondents (35%) struggle to properly control entitlements and permissioning. This suggests they may struggle to keep their data segregated and confidential and are thus putting themselves at risk if they incur a vendor audit.

These respondents have opportunities to better serve their downstream customers. They must be able to not only deliver data sets in a timely way but also contextualize their data to ensure only the right people can access and use it. If they are struggling to meet these demands in-house, they could improve efficiency by outsourcing more of their data operation to third-party providers.

To what extent will you outsource your data management in 2022?



The results of this study suggest that most of the respondents recognize the importance of expanding their data capabilities through outsourcing. The vast majority of the respondents will either outsource more of their data operations in 2022 (44%) or continue outsourcing the same amount (49%). Only 7% are planning to outsource less of their data operations in 2022.

Many of those respondents who plan to outsource more of their data management 2022 say they are primarily concerned with finding a cost-effective partner. However, others are searching for specific qualities in a data management partner that relate to trustworthiness.

"The location, business policies of their region, pricing, and even trustworthiness become top priorities in such situations," says a C-level data quality executive at an asset management firm.

Multiple respondents also note that "quality of service" is a deciding factor in which company they select as a partner.

"The quality of talent available and the ability to provide quality per our requirements" are determining factors for one data management director.

Some Firms Struggle to Add New Data Sets

“Communication and quality of infrastructure are key requirements for us,” says another data management leader.

Finally, a VP of data analytics at a wealth management firm says, “Quality in service and experience in data management both count as important parameters.”

More than anything, these organizations need a data management partner that can help them deliver more value to stakeholders in a timely and risk-averse way. However, they also gauge their choice based on key elements like infrastructure, quality of service, talent, and commitment.

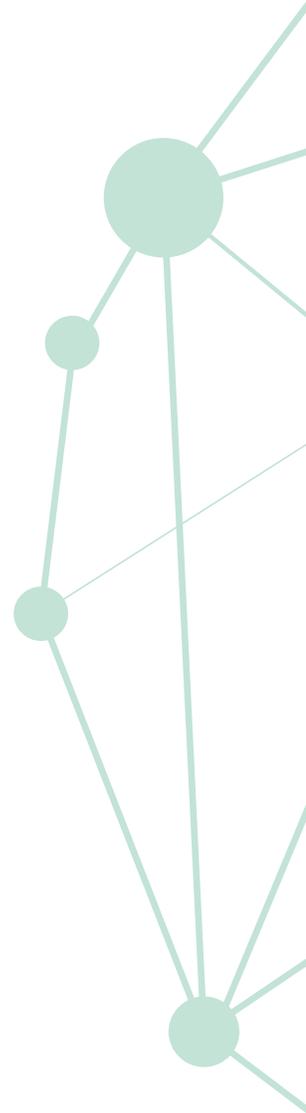
Conclusion: Filling Gaps in Data Operations

Investment firms have made significant progress in their data operations over the past several years, but there are still some significant gaps in their capabilities. More pressing is perhaps their inability to draw data from all their inputs. Without the ability to at least access the data from the full extent of their assets, firms may suffer a lack of visibility that impacts their ability to make decisions and deliver value downstream.

Several respondents indicate that their current data management capabilities aren't providing them with the value they need, either. For example, most of the respondents can't currently obtain global support for their operations. A majority are also unable to leverage actionable data for client reporting, fund accounting, compliance, digital transformation, and vendor management with their existing data tools, solutions, and services.

Nonetheless, the results also suggest that firms that are using managed data services are realizing significant benefits by doing so. They are reducing the total cost of ownership of their assets while improving ROI for both themselves and their downstream customers. They are also leveraging their partnerships to realize new capabilities, such as enhanced agility and a reduction in compliance risks.

In the coming months, investment firms and other types of financial organizations must manage change to support these new capabilities and reduce their risk exposure. Managed data service providers will play an important role in their future decisions, but only data partners with innovative solutions and robust infrastructure will provide the necessary services to help these companies achieve their goals.



Key Suggestions

- If you aren't currently using managed data services, and if you are experiencing gaps in your data operations, **search for a partner that can help you enhance your capabilities.** At 55%, most of the respondents **currently use managed data services.**
- If you currently rely on a managed data services provider, determine if your relationship both reduces TCO and improves ROI. **Most of the respondents say their current relationships do one or the other, but not both.**
- Audit your current tools, solutions, and services to **determine if they enable you to source and manage data from all your business inputs.** This may require you to re-evaluate your existing solutions and partnerships, but **without doing so, you risk not leveraging your data to its fullest extent.**
- Deploy solutions that help you automate or outsource regulatory compliance and reduce the time it takes to produce business value when managing data. **Consider solutions that integrate seamlessly with your must-have or legacy technologies.**



About the Authors



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