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Managers Waste Money Falling for 'Tech Hype'

By Dervedia Thomas July 2, 2019

Asset management firms that don't align their emerging-technology goals with organizational or departmental missions may end up throwing money at projects that aren't the most deserving, tech and operations leaders warn.

It's easy to get caught up in the "technology hype," but this can steer firms off course, said **James Kearney**, Vanguard **Group**'s head of global investment operations, at The Summit of Asset Management (TSAM) conference in New York on June 13.

"I had more than my fair share of people beating down my door to tell me exactly all the cool stuff and all the cool toys that I could play with, so the hype really got to me," he said. "We had deployed a bunch of technology, stuff we built ourselves in the robotics space. And it was an abysmal failure. We ended up having robots that were in conflict with other robots, we ended up having processes where you weren't aware exactly where the data was coming from. And the outcomes weren't what one would expect."

Most financial services firms (84%) in a survey by Broadridge Financial Solutions said they're sold on the merits of artificial intelligence (AI). Twenty-nine percent have pilot programs in place and 20% have AI in full production. However, determining the return on their investment has prevented some firms from taking the leap, the study notes.

Mangers can make the case for such programs by developing a business plan that clearly outlines specific, measurable and achievable objectives, says **Michael Tae**, head of strategy for Broadridge.

For example, if the goal is to have AI or robotic process automation (RPA) free up a staffer's time, managers should develop a clear plan for reallocating that time to make the case, according to the study.

"What it comes down to is keeping a close handle on particular pilots or projects, and having specific, really clear [key performance indicators (KPIs)] that are tied to success," Tae says. "Various organizations have different KPIs, [and] having clear accountability and having clear metrics is really important."

The plan should be aligned with the organization's mission, Kearney said, noting that the mistakes his division made stemmed from focusing on all the things technology can do, rather than how tech could further its mission.

"We were letting the technology lead us," he said. "Our mission is to add value that enhances the investment management process. Why weren't we putting that first in trying to solve these problems? Why weren't we being critical about, 'Are we adding value? Where can we add value?" What are the enhancements we want to do? What are the things that are going wrong? Where are the areas that we want to do things? And why don't we look at it from that perspective?'"

When developing a plan, firms should understand the different processes within each department, according to **Karl Sprules**, head of global technology at AB. Sprules has managers reporting to him who sit in various business lines in order to better understand their operations.

“I have someone underneath me who is responsible for technology operations and investment operations for the private client business, for example. That person’s goal is to build technologies but also to understand that business [and] make sure that the investments we’re making there really meet the business’ needs,” Sprules says. “That allows us … to make sure that we don’t take on projects that either aren’t going to deliver exactly what the client wants, or they’re going to cost too much money, or they can be very difficult to deliver.”

Not all problems are worth solving with emerging tech, according to the study, which notes that asset managers should put more emphasis on “quick wins,” or functions that are high priority, high-impact or complex. High-impact activities include tailoring products, services and communications to specific client needs and creating automated and predictive resolutions for customer complaints, Tae explains.

Such projects should be incubated in hubs where stakeholders can learn about AI and contribute their knowledge to new tech initiatives, according to the study.

“You clearly need to experiment,” Tae says. “It’s got to be a contained space where you can make mistakes, whether it’s the sandbox environment where you can do adequate testing, whether you work in conjunction with customers or clients, you can work with regulators, and really ensure that you can work out the kinks in advance.”

Firms need to ensure that such “centers” don’t isolate the employees best positioned to identify AI applications, however, the study says. Firms can get the whole organization involved by using their tech hires to train employees, according to Sprules. For example, AB hired a chief data scientist with the goal of having that staffer train employees outside the tech division rather than having employees funnel all the data requests through a specific team.

“You can’t just show up with data experts or [user interface (UI)] experts or experience experts to a business and say, ‘let me make it over,’” he says. “What you have to do is train the people who own the business today and have an understanding of how it works. Give them the insight and skills … and have them drive it, use it and respond to it. I think you tend to have divergence in course when you bring the smart people into the room [and] we tell you how to do what you’ve already been doing.”

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