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FUND TECHNOLOGY DATA AND OPERATIONS NORTH AMERICA REPORT

HOW TO EVALUATE ENTERPRISE SOFTWARE



Exercising strategy in line with market
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2.1 ROUNDTABLE DEBATE

How to Evaluate Enterprise Software

Moderator



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Panellists



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Solutions, SS&C Advent



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POINTS OF DISCUSSION

- *Platform decision making revolves around the firm's philosophy, structure and culture*
- *Firms must understand their future when making a decision*
- *SS&C advises firms to look at functions with the most value relative to cost*
- *There is an industry focus on the effectiveness of the front office and on leveraging a comprehensive front-to-back-office suite*
- *Having the flexibility to outsource some of the operational aspects of the business is a trend that's not slowing down.*

David Grana: What has been your experience with helping clients evaluate the best approach to supporting their expanding business needs?

Matt Ahlstrand: When our clients or prospects are looking to make changes to their current infrastructure, we look to provide a consultative experience so they can maximize their investments. We work to understand their business objectives and the impact from a project perspective. We aim to understand and align with current and future requirements.

David: What factors into the choice to integrate, migrate, outsource, or a combination of all of the above?

Katherine Pearce: In some cases, the choice will depend on the firm's philosophy, structure, culture and ideas around a full migration or integration. Firms approach these decisions differently. Some may have a mind-set, or a business need, to have separate systems to handle different asset classes or different areas. In contrast, others might have an internal culture where they want one system.

Often, factors such as time-to-market come into play, whereby it might be more expedient to implement a system specifically for a new line of business or investment strategy. In other circumstances, if a longer runway is available, a complete system replacement may be preferred. We take a consultative approach to understand better what their goals and objectives are.

Matt: Factors are different for each firm, as they revolve around the vendor's value proposition in terms of tangible items, such as the solutions available, data access, and migration support and personnel resources assigned.

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David: What role does outsourcing play in overcoming integration and post-implementation bottlenecks?

Matt: The most common integration issues are often unrelated to the technology, but rather are around meeting stakeholder expectations and understanding the data and integrations.

With any implementation, it is important to ensure there is proper stakeholder feedback and clear communication. A key factor is considering future needs, since systems, data and the people involved in these processes change. Firms must plan and understand the roadmap. Effective planning yields immense benefits. Ultimately, we see outsourcing as an incredibly effective tool in mitigating integration and implementation risks.

David: Are there some clients who, in addition to relying on you for the software, want to have you for the managed services, whereby you take over the entire operations of it as opposed to them having to deal with it on an ongoing basis?

Matt: Absolutely. Each business is different. There might be fund managers who are getting into a new asset class and have some front-office knowledge, but perhaps the back-office systems aren't quite where they want them to be. Instead of bringing on an operational team and having to hire people to understand a new system, outsourcing may be more strategic. Component outsourcing could also be a catalyst toward a bigger conversation on re-shaping the manager's operating model and leveraging managed services.

Katherine: Choosing the right partner can provide more than just the product or implementation talent. Managers should look at the full solution suite, the workflows and operational impact. Vendors can help slot in resources for taking on new workflows or even offloading others. Firms need to work with vendors enabling them to pick and choose the right solution and services that fit their goals and technology requirements.

David: What should asset managers that have branched (or are considering branching) out into new asset classes consider when evaluating and selecting a platform?

Katherine: Asset managers have challenges unique to their firm and operating model. When they are branching out into new asset classes or regions, or evolving in numerous ways, they need to identify the workflows new to them and implement solutions. Look for a provider who will help future-proof the decisions you are making today to avoid a redo in three-to-five years.

Matt: Ensure there is a good new asset ecosystem. You want to be sure the vendor has strong knowledge and objective are aligned.

David: How should firms think about user experience in their platforms, especially with platforms that need to function efficiently on the back end?

Matt: In general, we have seen the democratization of enterprise technology. Clients have high expectations for a great user experience and user interface. You can have the best back-end system, but without a decent front end, the firm won't see the benefits. On the flip side, you can have a great, beautiful and intuitive user experience on the front end, but if the back end isn't dependable, expectations won't be met.

The best scenario is a front and back office marriage. There may be instances where it may not make the most sense to concern yourself with user experience for an operations person if, in a few years, automation may replace certain functions.

Katherine: Some systems are purpose-built to support some of the back-end functions of asset managers as they move into more complex asset classes, or as they change their business model. Managers need to look toward marrying both the back-end reliability and functionality with a relevant user experience. Capturing the depth and breadth a manager needs on the actual back-end solution is critical so they can perform their functions. At the same time, these vendors should be investing in the user experience.

Vendors need to look at what those systems may have today, and where they are going to be in the future. A lot of the heavy lifting comes from building a strong back-end and building upon it for a more robust user experience, along with addressing some of the firm's challenges. R&D has an important role to play in choosing the right partner.

David: How are the trade-offs between cost and function best evaluated and determined when considering a platform?

Katherine: We try to advise firms to look at the functions with the most value relative to cost. Sometimes, one system might be less expensive than another but may require a considerable amount of operational resources to run and maintain it. Others might be more

David: What are you seeing in terms of new trends in the asset management space?

How do you think about best-of-breed versus single-suite?

Katherine: Being a "one-stop-shop" vendor, we are in a unique position, whereby we can meet the clients where they are. For some firms, it depends on their philosophical approach. Some want a single solution supporting the full front-to-back office functions. Others want to take a best-of-breed approach: they want more value from a given vendor, and they want flexibility and optionality to choose when and what to implement.

Matt: One trend we don't see any more is the buy-versus-build conundrum. We don't see firms going through a process of building. They look at their core competencies and, often, it is not in hiring and training developers, but rather around managing investments and client relationships. More often than not, they are looking to partner with a provider.

A lot of best-of-breed vs. single-suite depends on the firm. Start-ups might need a full suite of front-to-back office, but won't need a best-of-breed platform outside some of the asset classes they are dealing with. They also may want the flexibility and comfort to work with someone who can scale and meet their current and future needs from a solution standpoint and a servicing standpoint.

“ The big factors managers need to consider are vendor risk and vendor competence ”

expensive but are much more efficient and can help streamline and simplify operations. Multiple factors go into these considerations, and it's important to look at the full picture when making these trade-offs.

Matt: There is an element of risk in this, which can often be tougher to quantify, but I read a statistic from the Harvard Business Review¹ indicating there are over 750 million users of spreadsheets out there, with a good number of them in financial services. While Excel has a relatively inexpensive price tag, the number of errors created by spreadsheets is tremendous, and they can have a real impact. You need to consider the cost, benefits and risks.

Katherine: If you are buying a solution that only meets your needs today and you aren't thinking about the future, is the cost lower if it can't support your growth? Flexibility in the offering is an important consideration to ensure the solutions you invest in today will support you in the future.

David: With regard to vendors, partners and systems, how should asset managers think about moving into new markets and regions?

Matt: The big factors managers need to consider are vendor risk and vendor competence. They need to know if these providers have worked with the asset classes or in these specific regions. They should also factor in the vendor's experience with regulations. Looking at the relationship as more of a partnership, especially when the vendor has a strong, knowledgeable local presence, can enhance time to market and minimize risk.

Katherine: Moves into a new jurisdiction or asset class come with many challenges and costs. Firms want to get economies of scale from their vendors and service providers while ensuring they can scale as the client firm grows.

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David: What are some of the trends occurring in this space?

Matt: There are several trends we see. One is around the effectiveness of the front office and a renewed focus on leveraging a comprehensive front-to-back-office suite. We also see the notion of differentiation as especially important for asset managers. Differentiation involves expanding asset classes, geographical locations, structures, alternatives, illiquid assets, ESG, etc. Firms are looking to stand out from a product standpoint, especially versus passive strategies.

Also, there is a renewed focus on the client experience, which has always been the case in the high-net-worth retail area and has now expanded into the institutional space. An enhanced client experience involves digital collaboration between the asset manager and the account holder, making a seamless workflow across the various collaborative parts of an interaction.

Operational leverage and scale are also areas of interest, where firms look at the benefits of their technology and how they can further scale to gain efficiency and reduce risks. The trend towards the cloud, managed services or outsourcing is where we have seen many conversations and benefits, especially when launching new strategies, gaining new clients, or expanding to new geographies. The move towards the cloud and outsourcing dovetails with some of the M&A activity, whereby firms often look to get leverage with their systems.

Katherine: There has been a reinvigorated focus on SaaS, cloud delivery, and managed services in the current environment, which is compounded by the pandemic. People are thinking about managed services in a different capacity and using cloud delivery to mitigate risks that may arise with remote work. Having the flexibility to outsource some of the operational aspects of their business, to provide either back up to their existing staff, or a completely co-sourced or outsourced model is a trend that's not slowing down.

David: Thank you both for sharing your thoughts on this topic.

¹ Lacey, A., Ashby, D. (2018, October 8), 10 Excel Functions Everyone Should Know, Harvard Business Review. Retrieved from August 23rd from; <https://hbr.org/2018/10/10-excel-functions-every-one-should-know>

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