



# 2020 CIO Survey

## Asset Management industry insights



### IT in the new reality for asset management

Even before COVID-19 hit the globe, the asset management industry was grappling with the need to evolve and transform business and operating models due to several converging factors. While firms are seeing a record amount of growth in assets under management (AUM), profitable revenue growth has become harder to achieve alongside increased global competition, the rising cost of regulatory compliance and tax reporting, and downward pressure on management fees — leading to margins moving towards historic lows. Attracting the next generation of clients while preserving the current client base is now critical to drive top line growth while enabling digital services is paramount to serving clients in the new reality.

With client expectations for fast, frictionless interactions and personalized services growing and increased transparency to their investments, the need to increase insights and understand the customer has become a priority with 38 percent of companies in this sector planning to transform to re-emerge as a result of COVID-19. By understanding segments of clients, companies in this sector can develop digital channels and services that best serve each client and meet their expectations as well as use data to identify the types of assets that would help clients achieve their personal goals. As global demographics change, asset managers will need to be more closely connected to adjacent services like health care, retirement, charitable giving, and tax planning for current clients. For the next generation of clients, asset managers will also need to provide access to services such as regular updates on asset performance, news and blogs that affect assets, and financial educational resources. To enable new digital services, as well as reduce legacy costs, asset managers have been focused on increasing investment on their infrastructure, data and insights platforms, and systems of engagement.

These forces mean that, soon, asset management is expected to increasingly transition from being a traditional financial planning industry to a technology powered engine with global investment expertise. It will also be critical in helping shape a new economy based on notions of 'stakeholder capitalism' and sustainable business — as interest among large investors such as Sovereign Wealth Funds (SWF) has grown to have their portfolios aligned to their values and ESG agendas. Responsible, values-driven investment has become key to the strategic agenda with delivery through digital customer platforms.

### Board priorities & investment

On the face of it, investment priorities in the asset management sector are not dissimilar to the overall cross-sector picture — but what stands out on closer inspection is the margin by which improving security, privacy and customer experience and engagement are top priorities (60 percent and 50 percent). This underlines the extent to which understanding and enhancing customer engagement while securing client interactions has become an imperative. The emphasis is on customer-facing technology-enabled change, such as investor portals and mobile apps to access accounts and asset information, to bolster digital channels and improve the investor experience. To deliver on this customer expectation, organizations also need to invest in connected platform technologies and automation throughout their front, middle and back office to gain access to the data that delivers the level of transparency, modeling, and guided investment options to the investor.

#### Top three business issues that management boards are looking for the IT function to address

*Asset Management vs. overall*

##### Asset Management

- 1. Improving operational efficiency
- 2. Improving customer engagement
- 3. Enabling the workforce

##### Overall

- 1. Improving operational efficiency
- 2. Improving customer engagement
- 3. Enabling the workforce

#### Three most important technology investments in light of the new reality

*Asset Management vs. overall*

##### Asset Management

- 1. Security and privacy
- 2. Customer experience and engagement
- 3. Infrastructure/Cloud

##### Overall

- 1. Security and privacy
- 2. Customer experience and engagement
- 3. Infrastructure/Cloud

Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

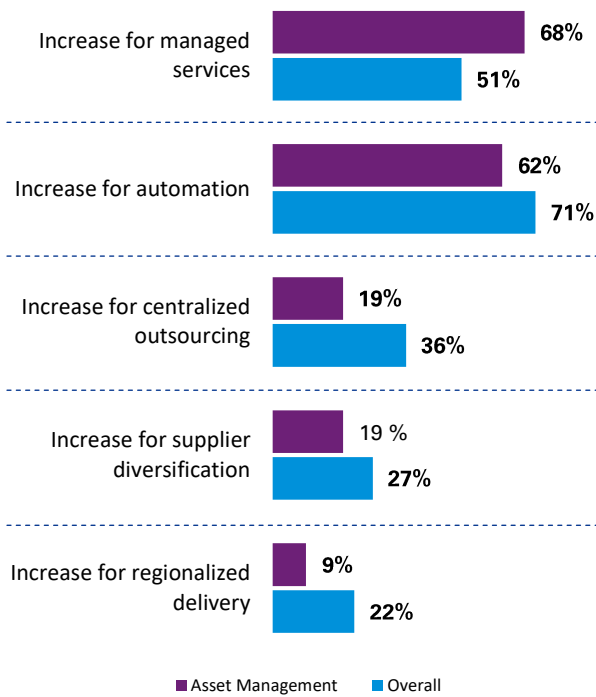


## Strategy & operating model

As COVID-19 forced an accelerated stress test for companies in this sector, digital transformation became a necessity overnight. The economic pressures of the pandemic forced investors to take a closer look at their portfolios. A successful digital transformation in asset management means delivering a digital platform that drives out the cost of compliance and reporting through automation and advanced analytics, while seamlessly integrating data, processes, and technology in order to deliver the tailored insights and opportunities for a broad client base. Barriers — such as siloed structures and systems, inability to connect internal and external data sources, unclear product strategies, or lack of advanced technical skill sets — poses a threat for companies in this sector who are not investing in their digital transformation. Companies in this sector are looking to increase managed services (68 percent) and automation (62 percent) to set the foundation for their digital transformation. Meanwhile, digital leaders in this sector are poised with a clear competitive advantage significantly outperforming their counterparts on operational efficiency (36 percent vs 16 percent), giving them far superior time to market (64 percent vs 22 percent) and customer experience (64 percent vs 43 percent).

### Expected change to service delivery model:

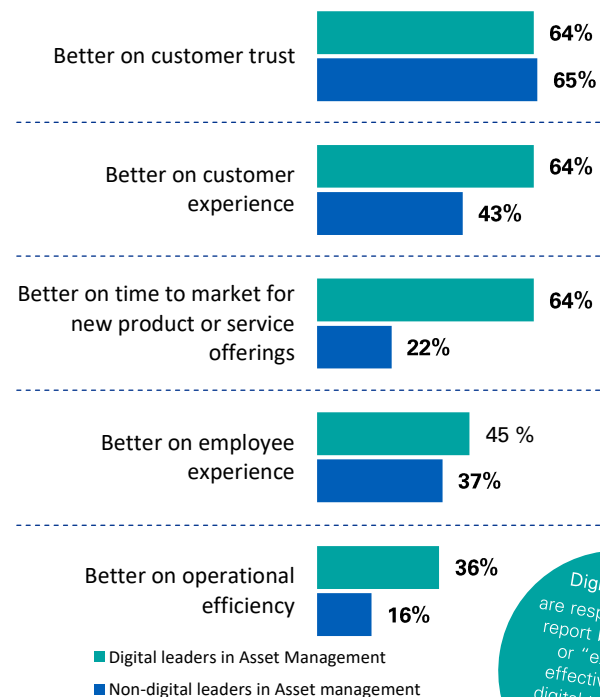
*Asset Management vs. overall*



Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

### Organizations performing better or significantly better than competitors on the following metrics:

*Digital leaders vs. Non-digital leaders in Asset Management*

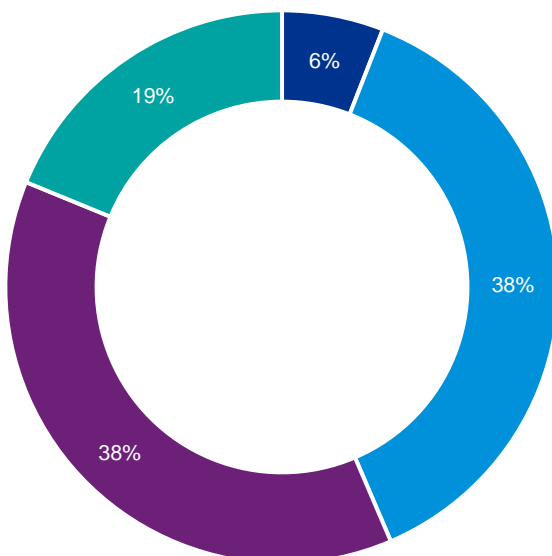


Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

Digital Leaders are respondents who report being "very" or "extremely" effective at using digital technologies to advance their business strategy

### Four economic recovery paths:

*Asset Management*



Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

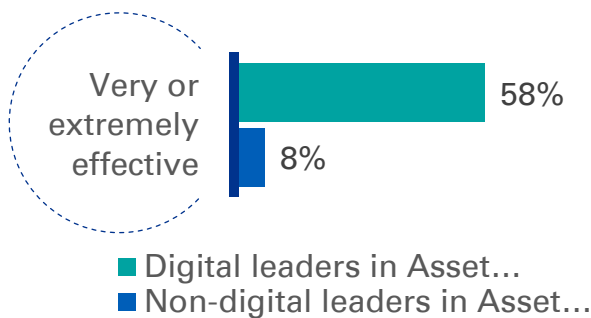
- **Hard Reset** — companies that struggle to recover from COVID-19 due to 'permanently' lowered demand for offerings, insufficient capital to ride out extended recession, and/or poor execution of digital transformation.
- **Transform to Re-emerge** — companies that will recover but along a protracted path requiring reserves of capital to endure and transform operating models to emerge stronger and more in line with changed consumer priorities.
- **Surge** — companies that scale post-COVID-19 as consumer behavior that was altered during the crisis is sustained in their favor. Investors sense their potential to lead and provide capital to scale aggressively during recovery.
- **Modified Business-as-usual** — companies seen as daily essentials will suffer effects of the consumer shutdown recession but are expected to recover more quickly as consumer demand returns in similar volumes.

## Delivering value at speed

The expectations of institutional and retail investors have shifted, with much more focus on solving for financial and personal goals instead of just purchasing individual products. Asset managers therefore need to continue to shift their value propositions from merely selling products to providing personalized solutions and services up and down the value chain. To achieve this, leaders require access to large sets of internal and external asset and market data and advanced analytical capabilities that quickly help evaluate current portfolios and help identify opportunities that meet the client’s goals. Digital leaders in the sector are far ahead of the rest in this respect, with 70 percent collecting valuable data compared to just 29 percent of their counterparts and 58 percent of digital leaders being very or extremely effective at pivoting and scaling digital channels compared to just 8 percent of their counterparts. While companies in this sector realize the importance of adopting emerging technologies and are at the forefront of experimentation, only a minority have actually carried out large-scale implementations.

### Organizations that are ‘very effective’ or ‘extremely effective’ at pivoting and scaling digital channels to meet new customer demands and expectations:

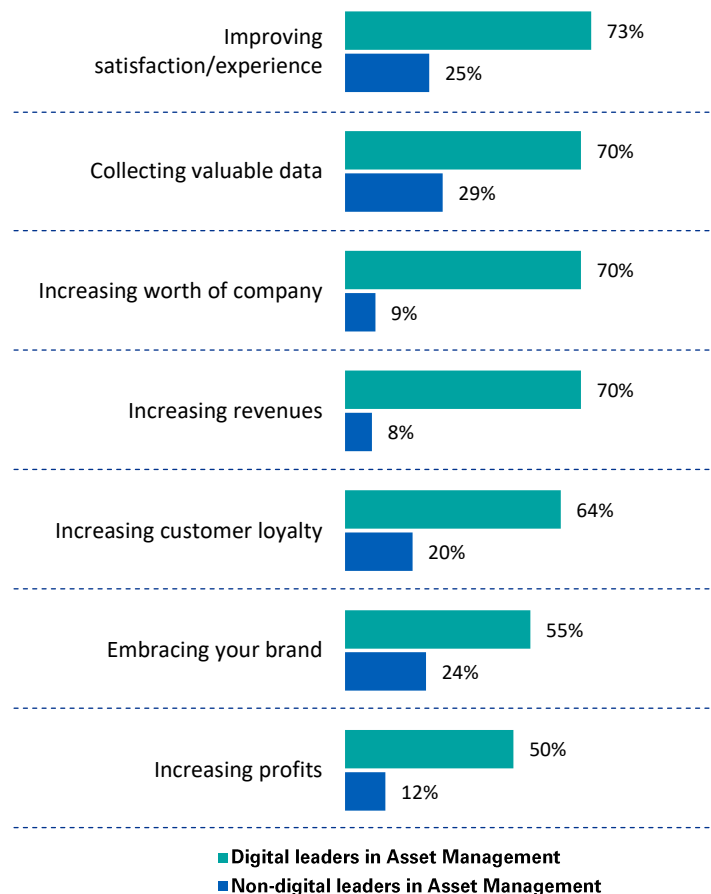
*Digital leaders vs non-digital leaders in Asset Management*



Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

### Digital offerings to customers that were ‘very effective’ or ‘extremely effective’ at the following:

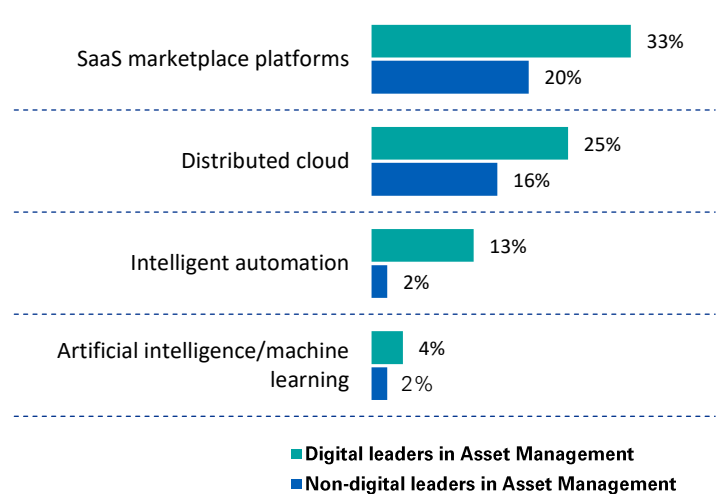
*Digital leaders vs non-digital leaders in Asset Management*



Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

### Large-scale implementations of emerging tech:

*Digital leaders vs non-digital leaders in Asset Management*








Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

## People & culture






As businesses moved to remote working during the pandemic, operational bandwidth and capacity, physical separation of teams, increased security and fraud, all became key issues. With so much resting on technology, addressing skills shortages in the IT team must become a key priority. In common with the cross-sector picture, cyber security is the number one skills shortage for asset managers, a sign of their awareness of the heightened need for resilience and security to retain client trust. Shifting to a digital-first culture will require new kinds of talent, and so it is that skills in emerging technologies such as AI and automation also feature highly. In terms of attracting and retaining talent, industry tech leaders are under no illusions as to the importance of good remuneration as well as strong culture and leadership — but appreciate also the importance of offering flexible work hours, something that has likely grown as a consideration in the wake of COVID-19.

### Most in demand skills: Asset Management vs. Overall

#### Asset Management






-  Cyber security
-  Artificial intelligence
-  Intelligent automation
-  Technical architecture
-  Business analysis

#### Overall






-  Cyber security
-  Organizational change management
-  Enterprise architecture
-  Technical architecture
-  Advanced analytics

### Top factors in engaging/retaining technology talent in the new reality Asset Management vs. Overall

#### Asset Management

-  1. Good remuneration
-  2. Strong culture & leadership
-  3. Career progression opportunities
-  4. Flexible work hours
-  5. Training, development, & reskilling opportunities

#### Overall

-  1. Strong culture & leadership
-  2. Good remuneration
-  3. Career progression opportunities
-  4. Work location and remote work opportunities
-  5. Training, development, & reskilling opportunities

Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

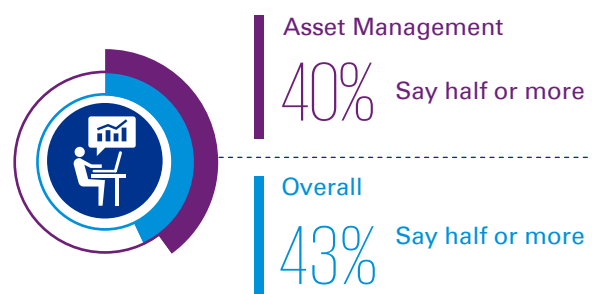
50 percent in Asset Management believes COVID-19 created a culture of inclusivity in the technology team

More than half in Asset Management believes promoting diversity improves, trust and collaboration, engagement with the business

Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

### Proportion of enterprise that will remain predominantly working from home post COVID-19:

Asset Management vs. Overall

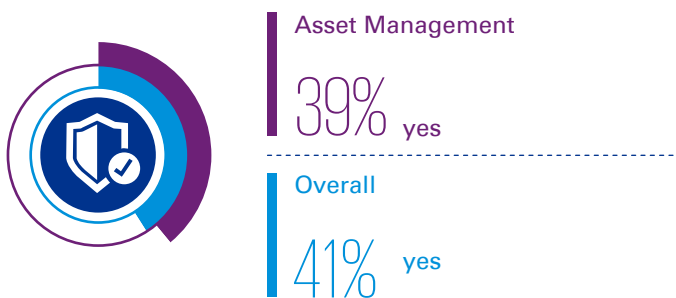


Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

## The rise of cyber

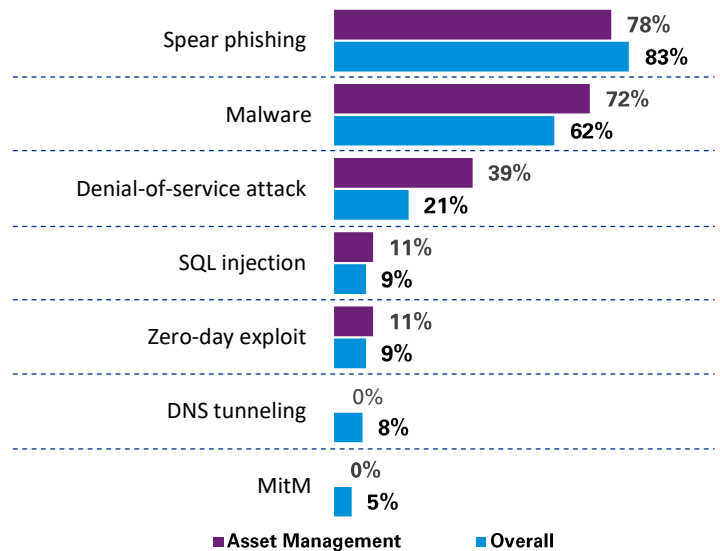
With COVID-19 causing the mass relocation of office workers from corporate networks to remote connectivity from studies, bedrooms and kitchen tables around the world, organizations' attack surfaces also dramatically grew. As a result, more than four in ten organizations have experienced an increase in cyber security incidents — with phishing and malware attacks the most prominent. As a highly connected, globally regulated industry, the asset management sector appear to have suffered somewhat fewer attacks than some other industries (such as insurance), however due to the complexity of their technology ecosystem across borders and markets, asset managers must continue to invest aggressively and take a holistic approach to protecting their customers and assets. In light of COVID-19, an increased focus on internal threats stemming from a largely remote workforce and new suites of applications as they strive to increase the digitization of their client interactions, must be a priority into the future.

### Organizations that experienced an increase in security or cyber incidents due to remote working: Asset Management vs. overall



Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

### Increase in types of attacks due to remote working: Asset Management vs. overall

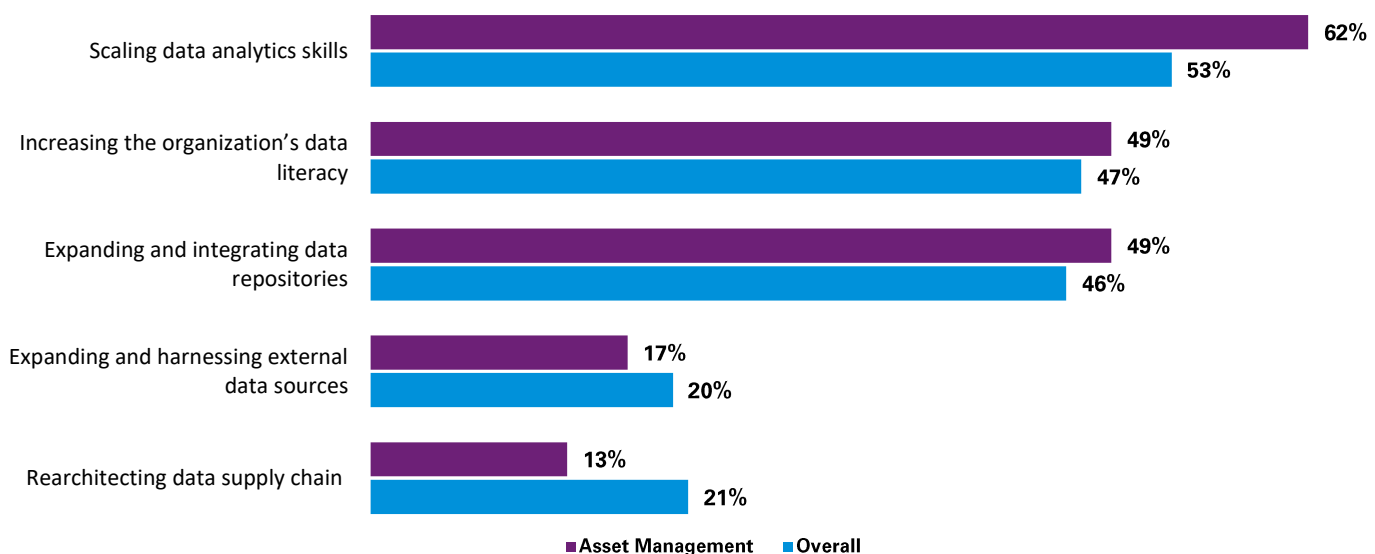


Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

## Analytics & insight

As for so many industries, gaining insights from data is key, both for customers and regulators. Research, portfolio and risk functions could all be augmented by AI for faster and better decision-making. Digital leaders are exploring how emerging technologies like quantum computing unlocks the possibility of running simulations for individualized multi-asset portfolios in seconds, while natural language processing (NLP) could be utilized to read analyst and press reports and other data from non-financial sources. In an age where ESG concerns are becoming ever more pronounced, asset managers also need the ability to access external signals for early warning on reputational issues that could arise through the stocks or portfolios they hold or manage. It is perhaps a sign of the maturity of the industry, therefore, that the sector's responses to external data strategies are rather lukewarm — with only 17 percent seeing it as important to expand and harness external data sources.

### Top priorities for your organization's data strategy: Asset Management vs. overall



Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

## Expedited timelines to transformation

COVID-19 has been an awakening. Most asset managers had convinced themselves that they had time to catch up on the digitization agenda. Now, many know they must expedite their timelines as the leading organizations are already advancing in what could be a winner takes all global marketplace. The anticipated growth in regulatory and tax requirements, diversification of new sources of wealth in emerging markets, and declining margins in the asset management business has forced companies in this industry to revisit how to deliver value to their customers — the ability to provide the right assets at the right time that are driven by client personal and financial goals. For CIOs in asset management, a strong partnership with the business and establishing fully integrated systems, processes, and data will be an imperative to ensure their organization's success in digital transformation.

## How KPMG can help

While KPMG firms are some of the largest providers of services to asset management organizations globally, we take a boutique approach to client issues with a focus on flexibility, adaptability, and innovation. We recognize that there are many on-ramps to supporting IT transformation and we've tailored our services accordingly:

### Transform the business

- Strategy and operating model
- Organizational design
- Enterprise architecture
- Portfolio planning
- Merger and acquisition
- Integration and separation

### Run the business

- Scaling agile
- Product management
- DevOps tooling
- IT financial management
- IT service management
- IT asset management

### Modernize and protect

- Cloud strategy
- Data center strategy
- Continuity and resiliency
- Workplace transformation
- Network modernization
- Cyber, risk, and compliance

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