



**CHANGE MANAGEMENT
FOR ASSET MANAGERS:
IS YOUR FIRM READY TO
TAKE ON THE NEXT WAVE
OF TRANSFORMATION?**

**INSIGHTS FOR OPERATIONS
LEADERS IN ASSET MANAGEMENT**

**INSIDE
OPS**



Emerging technology is giving the asset management industry an extraordinary opportunity to transform how it delivers value to its customers. In order to make the most out of this opportunity, firms will need to set up and execute complex transformational programs which could be critical drivers of future success. These initiatives often make dramatic changes to a firm's operating model, organizational model and technology architecture which support the business.

A key component of any successful program, and one that is often underestimated, is the development of a comprehensive change management strategy. While critical, many organizations fall flat in managing change successfully. Given the pace of innovation, asset managers should not underestimate the importance of effective change management.

CHANGE MANAGEMENT FOR ASSET MANAGERS

The focus of many firms over the past decade was on gaining operational scale and efficiencies through operating model change by leveraging technology and asset servicing partners, as well as platform integrations across middle- and back-office functions.

As we look toward the future, successful firms will likely be those which are agile and quickly able to adapt to new technology innovations and market infrastructure developments. The expected speed of innovation will only elevate the criticality of managing change.








However, asset managers should not look at change the same way as they have in the past. They now need to equip themselves with a foundational change management strategy and start focusing on how to continuously adapt that strategy in an industry on the verge of being completely overhauled by technologies that sound straight out of science fiction.

New and emerging technologies will continue to drive organizations to a higher level of operational prowess. Technology initiatives are the primary catalyst driving process and organizational redesign, and ultimately the roles and responsibilities of staff. Operating and organizational models will monumentally shift, consolidate or be removed.

Increasingly, sought-after skillsets will be redefined and move toward exception-based and value-add analytical activities. This will also require a new resource model for asset management. While people, process and technology have always been at the heart of change management, the coming waves of change could be far more disruptive and will require a more integrated change strategy.

Effective change management can help an organization transform throughout the change process, as opposed to reacting after the fact. For asset managers, initiatives cannot be looked at through one lens nor one function any longer since new technologies promise to break down the barriers between existing functional areas. Establishing a thorough, well-defined change management strategy creates a dedicated support structure that focuses on the impact across the organization.

Asset management transformational trends of the past decade

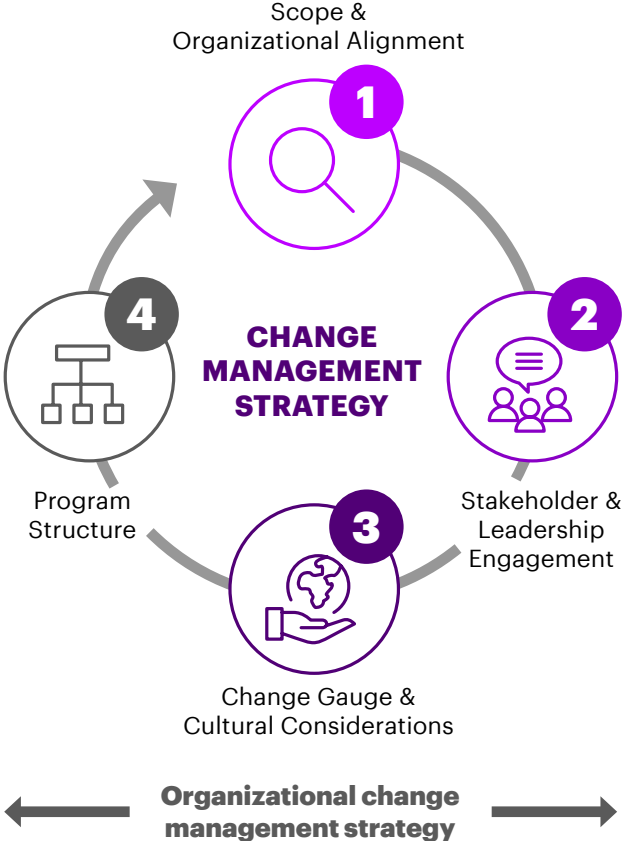
Back-Office Partnerships	Middle-Office Emergence	Data Strategy	Systems Specialization
 <p>Back-Office Outsourcing Arrangements</p>	 <p>Middle-Office Definition & Partnerships</p>	 <p>Enterprise Data Management Strategy</p>	 <p>Functional Systems Implementations:</p> <ul style="list-style-type: none"> • Collateral • Securities Lending • Corporate Actions • Pricing • NAV Oversight
 <p>Accounting System Integration</p>	 <p>Investment Book of Record [IBOR]</p>	 <p>Data Management Systems Integration</p>	

Source: Accenture research

DEFINING AN EFFECTIVE CHANGE MANAGEMENT STRATEGY

Regardless of the size of change, an effective strategy should be in place by the time the initiative is announced.

Change management strategy starts with an understanding of the organization and the initiative, but should not be considered a “one size fits all” solution. Strategies vary between organizations and even between initiatives within an organization, however a foundational framework can be utilized to define an effective change management strategy for any initiative.



Source: Accenture research

SCOPE AND ORGANIZATIONAL ALIGNMENT

Defining the scope of change allows the organization, from top-down, to understand the breadth of the change management strategy from the outset. It is important to consider the main objectives of the initiative and which functions, products and locations are impacted. As part of understanding the scope, a critical element of developing the change management strategy and communication plan is ensuring a full and consistent understanding and agreement of the change that is taking place.

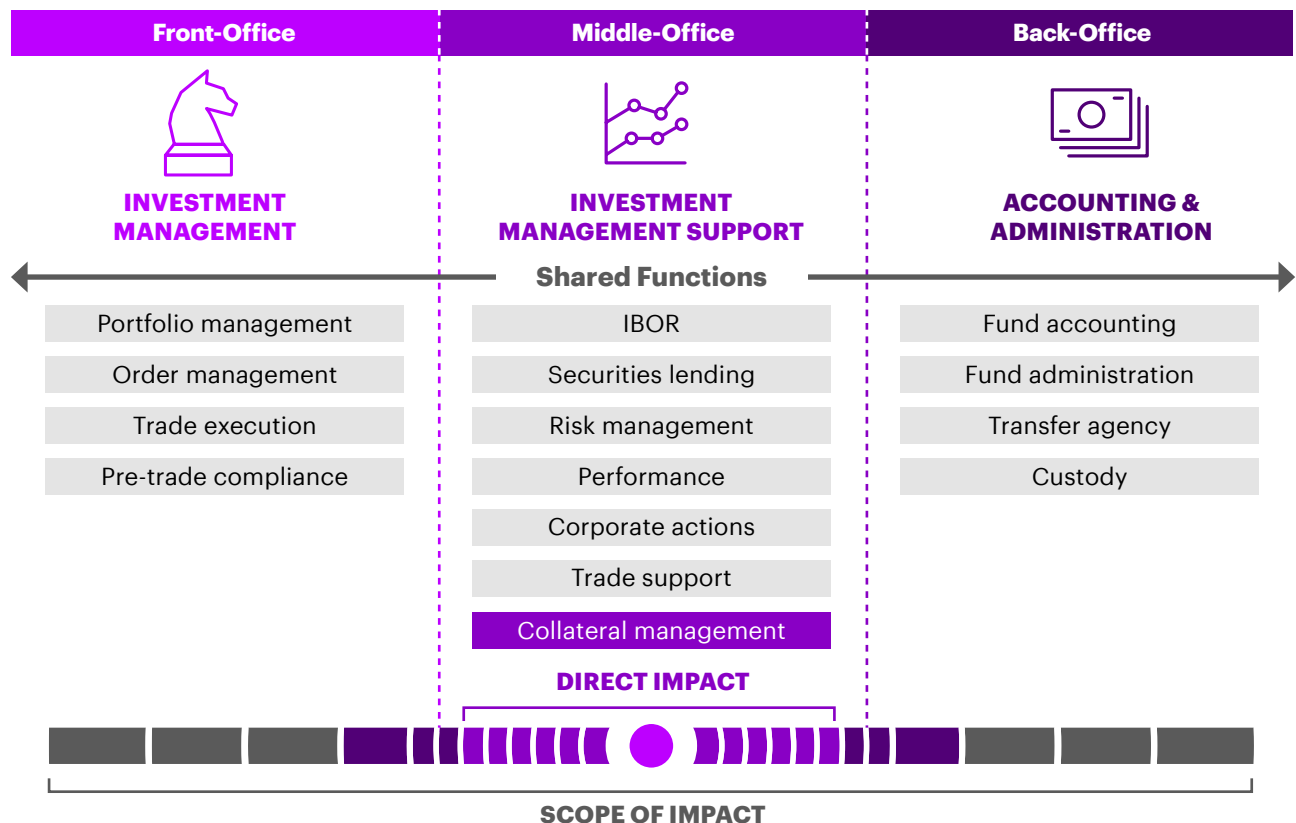
Asset managers should be able to communicate and campaign their story of change, which starts with understanding why the change is taking place and the size and scope of impact. This definition of scope (i.e., front-, middle-, back-office) creates a concrete vision, impact area and rationale for embarking on the change journey. Defining the scope of change provides an anchor point and the foundational framework for the change management strategy.

USE CASE

COLLATERAL'S IMPACT BEYOND MIDDLE-OFFICE

Even a function-specific systems implementation can have ripple effects beyond typical operational boundaries. When a global asset manager embarked on a collateral management implementation, the full scope crossed into front- and back-office operations, even though the focus of impact resided within the middle-office. The execution of derivative and collateral trades within the front-office was also impacted, as was the booking methodologies within the fund accounting teams. Defining the total scope of impact at the outset allowed the impacted functional teams to receive the appropriate level of understanding for the upcoming process changes.

Scope definition: collateral platform selection



Source: Accenture research

STAKEHOLDER ANALYSIS AND LEADERSHIP ENGAGEMENT

As the scope of change and organizational alignment are defined, direct and indirect stakeholders can be identified and better understood. As part of the stakeholder analysis, identifying the level of stakeholder involvement will be paramount. Once identified, leaders and business teams must understand and agree to the roles within the project and how to support it. The use of consistent methods to communicate roles and responsibilities across input, review, decision and governance expectations should be considered.

Leadership engagement is most effective when defined during early stages of developing a change management strategy and revisited throughout the various phases of the initiative. Demonstrated commitment and engagement from key leaders set the right tone for all.

CHANGE GAUGE AND CULTURAL CONSIDERATIONS

Designing a change management strategy is often unique to the firm and will be influenced by the firm's culture and past experiences. These factors should be considered when sizing the amount of change the organization is going to face and the approach it will take with communication, training and stakeholder interaction.




Organizational culture, though difficult to measure, is a critical influencer to the change management strategy. It will impact the complexity of the strategy, communication cadence, level of detail shared and how change is measured. Communication cadence is a good example.

PROGRAM STRUCTURE

Fitting into the initiative's program structure and selling the change management strategy to the project team are critical to making the change management strategy last. Depending on the size and structure of the initiative, change management may be a component of each functional project team or may be led by a standalone change management team within the program. Regardless of how the program is structured, the roles and responsibilities between change management, project management, leadership and all supporting teams must be clearly defined.

After defining the scope of the initiative, the stakeholders, and size of change, the last piece that should be understood is the timeline. Understanding the timing of key milestones will dictate the trigger points for executing change management activities like communications and training efforts. One of the key takeaways for change management strategy is to stress consistency. Activities and communications across milestones and stakeholders should have the same timing and structure.

Change gauges

Level of experience	Transformational gauge	Cultural influence
<p>What level of experience has your firm had with the type of engagement?</p> <p>LOW  HIGH</p> <p>THE FIRST TIME OUTSOURCER</p> <p>An asset manager pursuing a service provider partnership for the first time may require a higher-touch change management strategy focused on regularly educating stakeholders on the impacts associated with outsourcing.</p>	<p>How transformative is the change across the organization for this initiative?</p> <p>LOW  HIGH</p> <p>THE BACK-OFFICE OVERHAUL</p> <p>Integrating a new fund accounting platform results in a high level of transformational change within the back-office which requires a higher level of support to onboard onto the platform.</p>	<p>How does your organizational culture emphasize the following?</p> <p>LOW  HIGH</p> <p>THE CULTURE OF COLLABORATION</p> <p>Cultures that focus on collaboration typically require a more interactive approach. Collaborative cultures influence the level of engagement across all stakeholders, which means engaging parties across front-, middle-, and back-office.</p>

Source: Accenture research

IMPACTS OF IGNORING CHANGE MANAGEMENT

Change management often does not get prioritized as it should because many firms may not view the function as a hard-hitting, functional area that requires a dedicated team.

Change management strategy, however, directly impacts the success of an initiative and addresses the most critical component of any organization: its people. Change management is not an area to marginalize, as the cultural and financial consequences could be severe. Potential consequences include:

Elongated implementation timelines

Lack of a dedicated team responsible for business readiness (e.g., training activities, etc.) often results in longer implementation timelines, as functional teams are more focused on implementation activities than operational readiness.

Higher implementation costs

Elongated implementation timelines often result in higher costs across the program and a lack of standards for business readiness.

Attrition rate increases

Without an effective communication plan or defined responsibilities, employees may not feel as engaged, which could lead to employee turnover or a lack of ownership. Backfilling for lost resources and additional training adds to the cost and can extend the timeline of the initiative.

Incomplete scope definition

If a thorough scope and stakeholder analysis does not take place, key integration activities and dependencies may be identified late in the process, resulting in elongated timelines, late scope additions and reputation risk with stakeholders.

Negative morale

Failure to consider cultural implications and not effectively communicating may impact the overall morale of the organization. Decreases in morale impact the effectiveness and success of the implementation efforts and make stakeholder buy-in much more difficult.

SAYING “YES” TO CHANGE MANAGEMENT

While these consequences may seem dire, there is hope.

A sound, thoughtful change management program could mitigate the risk of these negative outcomes and turn a potentially difficult experience into a positive. Most importantly, saying “yes” to change management early in the process can force adoption and encourage the firm and program to commit over the long term. The sheer number of endeavors being

taken on by asset managers has elevated the need to define the change management strategy within any transformational program. Defining and executing an effective change management strategy could better prepare an organization to successfully embark on these initiatives, which are becoming paramount in this new age of disruption.

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