COVID-19: Supporting your organization's data needs

Guidance for Technology and Data leaders on tactical and strategic responses to the COVID-19 crisis

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EY

Building a better working world

A crisis like no other

Quick read

Who is this paper for?

Chief Technology Officers, Chief Data Officers and their teams within Asset Management and Wealth Management companies.

Why is this issue important?

Timely, accurate and accessible data is critical to organisations' ability to respond rapidly and with confidence to the issues raised by COVID-19, now and in the future.

What can I be doing now?

Review controls in place and institute appropriate fixes. Ensure compliance with privacy law. Identify key data points to support critical business activities. Deliver tactical outcomes using existing tooling. Perform data quality checks and make improvements where necessary. Begin mapping to a common business model & documented data taxonomy.

What can I do next?

Define/revise long-term data strategy in light of lessons learned. Free up resources by eliminating obsolete reports and processes. Deliver efficiency through automation quick-wins. Deploy FinTech to gap-fill.

What can be achieved long-term?

Connect legacy platforms to a common business taxonomy. Entity resolution for complex data domains. Cloud adoption. New data services. New digital services.

Introduction

For nearly four months, COVID-19 has dominated every news broadcast and every front page.

The radical shift in business operations which the virus has forced on the global economy has tested many managers' technology architectures and operational resilience arrangements.

By now, the majority of companies are operating something like business as usual, with most staff able to work remotely and collaboration tools bedded in.

> "For firms grappling with the short- and long-term implications of the situation, access to quality, reliable, timely and complete data has never been more critical.

Nevertheless, the need for urgent, novel and wide-ranging business analysis, the demand for timely and insightful MI, and the necessity of effective engagement with employees, investors, markets and regulators, has brought to the fore the importance of data for business continuity and growth.

Over the long term as well, many business leaders expect no quick return to pre-crisis styles of working, and estimates of 30-40% home working are now typical. In such a distributed environment, accessible data will be key.

For firms grappling with the short- and long-term implications of the situation, access to high-quality, reliable data has never been more critical, and it is incumbent on Technology and Data leaders to respond accordingly.

This paper has been written to guide Chief Technology Officers and Chief Data Officers of Asset Managers and Wealth Managers in supporting both the immediate and longer-term data needs of their organisations.

This includes a checklist of tactical actions which can be taken now to support key business functions.

It also identifies factors which have been effective in supporting leading organisations to adapt to lockdown, as well as suggested longer-term actions that can be undertaken across in order to build the foundations of a more resilient, flexible, efficient and valuable data architecture.

Given the impact of such changes, it is key that these initiatives are undertaken as part of an integrated transformation agenda, working across the whole business and engaging with your wider provider ecosystem.

Key COVID -19 pressure points across the value chain

Enterprise Controls: 3LOD adaptation, Fund governance and Stewardship

Operational Resilience: Distributed working, Critical functions, Partner ecosystem

Regulatory Compliance: Managing regulatory compliance, harm, good-practice regulatory relief measures

Tax: Corporate, fund, operations, staff and investors

Financial Resilience: Orderly month-/quarter-end close, Financial steering and planning

People: Workforce mobility, immigration, productivity, future of work

Strategic Cost Transformation: Working capital and operating margin, ROI & change management

Technology: Distributed working, major programme transformation, vendor resilience

Lessons from the crisis so far

Need for speed

COVID-19 has demanded radical thinking across the business. Issues need to be understood quickly, decisions need to be taken with confidence, and audit trails need to be preserved.

High-quality, timely, complete and accessible data is a fundamental prerequisite for an effective response across each area.

The organisations which have best weathered this storm to date are those with mature cross-platform data architecture and governance arrangements, and strong tooling.

Cross-functional working

Many issues faced by functions reflect consistent themes, such as the accessibility of data for forecasting and scenario planning. Data and technology teams have an opportunity to drive cross-functional collaboration which can deliver multiple benefits with minimal effort – particularly where underlying data needs are similar.

This has proved successful where Data teams have forged strong relationships with functional units, e.g., through innovation hubs and budget pooling.

Data Science

For those firms with established data science teams, the ability to perform high-quality quantitative analysis has proved critical over the last few months. From predicting liquidity issues before they materialise by modelling redemption trends, to identifying staff suitable for furlough and those suffering particular strain, effective data science is key.

Common success factors include supportive tone from the top, breaking down silos, and genuine industry understanding within the data science team.

Using the ecosystem

Data professionals – especially data scientists – are in short supply in our industry. That's why leading firms have embraced collaborative working with third parties like FinTechs, in order to access the widest pool of talent.

When working with FinTechs, consider how these relationships can be formulated in such a way as to safeguard your IP and interests. Set clear goals, and select partners based not only on technical ability, but also on their openness to collaboration.

Embracing the Cloud

Many organisations have long recognised the opportunity of Cloud. Pay-as-you-go flexibility, the ability to scale supply in accordance with demand, the use of SLAs and other contractual provisions, on top of the potential finance and tax benefits of shifting from CapEx to OpEx, combine to create a compelling business case. Cloud providers have been tested with utterly unprecedented levels of demand and user scrutiny, and have generally succeeded in maintaining performance levels.

Virtualisation & flexibility

Many data warehouses, whereby data must be replicated from source systems, have struggled to support their firms' rapidly-changing needs over the last few months. Those with data fabrics which virtualise data have often been better able to respond.

Our experience highlights three differentiators: component ontologies to codify knowledge, microservices to create an application marketplace, and incremental delivery of benefits to demonstrate rapid ROI.

Automation by design

Companies with a high degree of automation were amongst those best placed to support the shift to lockdown. Intelligent Automation, involving the full arsenal of process optimisation, RPA, and Machine Learning, offers the chance to deliver even greater efficiency gains across the operating model.

To succeed, organisations need a clear assessment framework, buy-in at the highest levels, and a structured methodology involving the fullest range of stakeholders.

Sprint delivery

An incremental delivery approach, such as through six-week sprints, means that tangible benefits can be delivered immediately, without a multi-year transformation.

This preserves your flexibility to respond to emerging situations, whilst still supporting your vision.

It also creates positive momentum and support from the wider leadership and business, who can see the value of your actions and thus support more fundamental architectural changes as these may be required.

Avoiding technical debt

Data and technology leaders across the whole industry have been pulling out all the stops to support their organisations' data needs. Where tactical solutions are needed in the short term to meet critical business needs, successful organisations have flexed their reporting build approach in such a way as to deliver immediate flexibility while avoiding the 'bedding in' of ad-hoc, ungoverned or unsupported data feeds or reports – thereby preserving their long-term ability to manage and control data.

Actions you should take now

1

Ensure adequate data security safeguards to deal with the new ways of working
Home-working materially increases the risk of data privacy breaches and data loss, and the National Cyber Security Centre has reported an unprecedented increase in cyber security threats1. You should assess information security controls to ensure their adequacy, especially with regard to collaboration platforms. Check compliance of all staff with data privacy and security training, and increase network surveillance and your capacity to tackle cyber emergencies.

2

Review implications for GDPR and Data Privacy compliance
The European Data Protection Board has issued a statement2 on processing personal data in the context of COVID-19. Where firms are collecting additional data from their employees or customers, this needs to be for legitimate reasons – such as obligations relating to health and safety at the workplace – or otherwise in the public interest. Data Privacy notices may need to be updated in such cases and you should seek advice on the legal and technical implications.

3

Monitor the impact on sourcing and quality of CDEs, and strengthen your data governance
There is a continued risk of service disruption from custodians, administrators and other third-parties. Operational issues may result in data quality errors. Internal data supply-chains will also be disrupted. Data owners should monitor sourcing and quality of critical data and take mitigation actions. Review SLAs and engage pro-actively with third-parties to address concerns. If you have a documented data lineage, use it to quickly identify the most risk-prone areas of the data landscape, and establish targeted tactical controls and tactical monitoring to spot issues early.

4

Deliver tactical outcomes using existing tooling
Many regulators now require daily reporting of potential liquidity risks. Government fiscal changes may have significant Finance and Tax implications. Businesses need to review product ranges and understand customer impacts. In all these areas, data scientists are at a premium, so you may deploy your people to work directly with impacted teams to create short-term tactical solutions using existing tooling. If so, ensure that these are documented suitably and sandboxed in your controls environment, set a date to review/retire, and use the opportunity to identify DQ gaps.

5

Keep the long-term opportunity in mind as you re-assess your change portfolio
In a period of economic shock and subsequent contraction, it is natural and appropriate to review planned and in-flight change programmes. However, programmes ought not to be stopped which will contribute to a long-term improvement in your organisation's ability to grow revenues, manage risk or reduce cost. You may consider re-priorisiting programmes to ensure that tangible business benefits are delivered quickly and regularly to ensure continued senior leadership support, and you should articulate clearly how these programmes support the business strategy.

6

Plan for sustained, high rates of staff absence
Even before COVID-19, data teams were particularly impacted by the forthcoming IR35 rules on contractors. On top of this, there is still a real risk of a much more significant outbreak of the virus causing widespread sickness. You may wish to arrange contingent arrangements with consultancies and vendors to provide resource augmentation should it become necessary. Consider how technology provision and on-boarding can be prepared in advance to accelerate this.

7

Don't miss out on key government support, including tax rebates on technology R&D
Governments around the world have made significant fiscal commitments to support organisations through COVID-19, but you should also consider existing programmes. The UK R&D Tax Relief scheme provides an effective relief rate of up to 10.5% for large companies on applicable development spend, including consultants' fees and necessary software licenses. This may significantly improve cost-benefit assessments as you consider the value of investing in data.

Looking beyond

As you get into a position to take stock, it is worth considering what lessons can be learned. Your data infrastructure has been tested like never before, the value of your software and tooling has been amply demonstrated, and your wider business may well be beginning to look very different.

Review your strategy

Given these changes, it would be sensible to undertake a formal review of your data strategy.

The review should be conducted with reference to your wider business strategy, and emerging market practice within and beyond the industry.

In doing so, it will be important to gather a range of internal and external views, including amongst your key user and client groups, and to identify priority gaps and quick wins. You must also agree how you will measure and evaluate your progress on that journey.

Whilst the business case for data transformation is generally clear, the future state for each company will necessarily be a function of its specific needs and footprint.

Agree core principles

Every project which impacts your data landscape should be validated to ensure that it is in accordance with your wider strategy. To do this, you will need to agree a set of fundamental, guiding principles. Without these, it is all too easy to fall prey to the lure of quick fixes which need to be reversed later.

Deploy critical tooling

Work with the business to identify capability gaps in your existing tooling which can be met (e.g. by FinTech providers) quickly, at low cost, and in line with your strategy.

Use your convening power to bring functions together and find common solutions to problems. Key areas for this may include:

- Communications sentiment analysis to measure wellness
- Data security over collaboration platforms, e.g. Zoom/Teams
- Enhanced financial modelling, planning and control capabilities
- Product rationalisation reviews
- Automated/low-touch regulatory reporting
- Conduct controls & surveillance
- Digital tax, and impact analysis of Government tax policy

Simplify your landscape

Use a structured approach, such as that outlined on the following page, to identify cost savings and efficiencies that can be quickly introduced or would otherwise demonstrate significant ROI. In doing so, not only will you rapidly and regularly be able to demonstrate tangible progress and business benefit, you will also establish a sustainable foundation for your data transformation.

Populate your taxonomy

A common data taxonomy gives you the mechanism whereby everyone in the business shares the same understanding of what data is, its criticality, and how it is controlled. Seeking to define a taxonomy for the entire business within one programme is a gargantuan task, but by building the taxonomy bit-by-bit, alongside each data initiative, you will gradually build up a crucial reference library that will sit at the heart of your data architecture. A common taxonomy is especially crucial for a data fabric, where data is left at source and integrated virtually.

Build up data science

In order to succeed, data science teams need sustained support from leadership, backed up by a clear and agreed set of operating principles, rigorous objective-setting, and regular assessment of plans and achievements.

Data scientists often work most effectively when embedded with functional teams, and in any event it is critical to foster a culture of experimentation and co-operation with and across Business Units, so as to align priorities and spending.

Sample core principles

Information as an asset: Information is a valuable asset to the company and is managed accordingly.

Shared information: Users have access to information that is necessary for performance of their respective tasks. Information is shared between different corporate areas and positions, depending on the security levels established for that set of information.

Accessible information: Information is accessible for users to perform their respective duties.

Common terminology: Data is defined coherently throughout the company, and definitions are comprehensible and accessible to all users.

Information security: Information is protected based on integrity, availability, confidentiality, incontestability, and authenticity. Every piece of information is submitted to a security assessment.

Deploying the transformation levers

Simplify and save

Use a hierarchical approach such as that to the right to simplify your architecture, strip out cost, and move toward your strategic vision.

1. Eliminate

Experience shows that certain areas tend to be hotspots for cost which may be candidates for obsolescence. By eliminating these quickly, you can demonstrate immediate return and begin simplifying your architecture:

- Most firms are paying significant sums for some market data that is obsolete or irrelevant.
- Customer data is often over-reliant on manual processing and carries greater risk associated with data breaches.
- Many reports, needing much manual effort, are never used.
- Data feeds may be updating obsolete warehouses, and redundant controls operated.

This needn't just be a top-down exercise for Technology. Empower employees across the organisation to find cost savings through an easy reporting mechanism (ideally embedded within platforms).

Some firms have had success by incentivising this with competitions and prizes.

Use the same approach to get staff to pro-actively identify data issues that they may be manually working around. This must be simple, quick and straightforward to make it worthwhile for employees, with timely responses from Technology showing benefits delivered.

2. Automate

Many organisations are well-advanced with their RPA and Intelligent Automation journeys, but in our experience there is often much more to be done.

Consider what manual tasks within your Data or Technology teams can be automated – not just using RPA software but also through more traditional tools such as job scheduling and batch processing – and combine this with business process optimisation.

Look also for opportunities to drive significant value through Intelligent Automation, also known as hyper-automation, generating a multiplier effect through the use of AI and Machine learning.

3. Outsource

Outsourcing is a well-established part of the industry operating model, but the opportunities go well beyond traditional areas like fund accounting and reporting.

Almost every large Custodian and Administrator is investing heavily in Data as a Service and FinTech, using the enormous scale of their technology functions to streamline their customers' operations or to introduce new digital services.

Likewise, consultants and auditors are creating Managed Service practices and building technology in areas like cloud data as a service and regulatory reporting.

The shift to Cloud within Wealth & Asset Management had picked up significant momentum even before COVID-19. Cloud offers significant savings of both cost and effort, by cutting out swathes of technology administration, such as database configuration and tuning, upgrades and storage management.

Cloud provides a powerful combination of pay-as-you-go flexibility, the ability to scale supply in accordance with demand, and the assurance of SLAs and other contractual provisions.

Whichever approach you take, collaboration is the future: striking new relationships across your whole ecosystem, combining skills, and sharing responsibility with a suite of partners.

4. Centralise

Centralisation requires ruthless focus on those areas where it can drive efficiencies, and a strict aversion to bureaucratic decision-making or stifling innovation. Data acquisition is one area where negotiation of contracts at the enterprise level will usually deliver much better outcomes, but only so long as demand is sourced from functions, and response times are seen to be sufficiently rapid.

5. Standardise

By now, your data architecture should have been pared back to its most efficient state. Now is the ideal time to begin standardisation.

At this point, you will be well-placed to harmonise all data, reports and processes across your single unified data model, constantly aligning to your common data taxonomy.

As ever, you will wish to employ your core principles and evaluation methodology to prioritise high value, low cost areas, in order to deliver a regular series of sprints demonstrating tangible benefits to win sustained support from your organisation's leadership.

Transformation levers

1. Eliminate

What can be turned off immediately?
Many reports are hardly ever used but costly to produce. Retire if possible.

2. Automate

What can be automated?
Identify low-hanging fruit, but don't ignore opportunities for intelligent automation.

3. Outsource

What can be outsourced?
Include all moves from CapEx to OpEx and perform a suitable cost-benefit analysis.

4. Centralise

Where can cost be reduced by managing centrally?
Look at significant costs like market data.

5. Standardise

Full adoption of a cloud-hosted data model with common controls and governance.

Conclusion

Technological change typically advances by barely-perceptible degrees. Small changes aggregate, and it is only by looking back that we can see just how far we have come. But no longer.

The COVID-19 situation has challenged every assumption about how our organisations operate and about what we can achieve. Data and Technology leaders can be proud of how successfully the initial weeks of lockdown have been navigated. Yet this is only the beginning.

> It is now clearer than ever that organisations can achieve vastly more together – by pooling talents and expertise – than they can apart.

The decisions that we take today will have ramifications that far outlast the lockdown or the virus. By acting now in a way that supports both the immediate needs of your businesses and the long-term strategic opportunity for data, you can build the foundations of business that is more resilient, more agile, and primed for growth.

Data science has proved its worth for those firms that have best weathered the storm – helping to rapidly model and test market volatility, client redemptions, and operational pain points – a critical competitive advantage.

Cloud too has withstood a surge in demand which brought the stability of the entire global internet into question, and demonstrated the resilience of major providers.

And well-run Data Offices, supporting joined-up, timely and accessible data, played a vital role in leading organisations to deliver a largely painless transition to remote working.

It may seem daunting, but you don't need to do it all alone. It is now clearer than ever that organisations can achieve vastly more together – by pooling their talents and expertise – than they can apart. That means collaborating with your entire eco-system, working with FinTechs, traditional technology providers, Fund Administrators and consulting firms to bake in compatibility across the landscape, to embed effective controls and joined-up governance, and to co-create AI- and Machine Learning-powered products and solutions that will support the long-term growth of your business.

Together, as an industry, we can achieve remarkable things.

Let's get to work.

EY's Data & Analytics capability

EY's team of Wealth & Asset Management professionals has been helping leading organisations to successfully deliver change for many years. With over 10,000 people in EMEIA alone, we have the scale and depth of expertise to help you navigate uncertainty and thrive in a challenging environment.

Our Data & Analytics team supports Wealth Managers, Asset Managers and Administrators to:

- Design and implement data strategies which support and advance business objectives;
- Design and implement cloud architecture and Data Fabrics to drive measurable benefits;
- Establish policies and procedures for data governance for smooth business operation;
- Select and implement tools for data management and data quality monitoring;
- Deliver ad-hoc or strategic analytics, AI and Machine Learning capabilities;
- Implement RPA and Intelligent Automation to realise efficiency gains and cost savings;
- Build cutting-edge tools and solutions, including our EY Cloud Data IQ ecosystem.

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