

Enhancing competitive advantage through IT outsourcing in asset and wealth management

Key success factors for it outsourcing for asset and wealth managers

Industry



Asset & wealth

Services



Sourcing



IT outsourcing is an ever increasing strategic and tactical tool for Asset and Wealth managers – enabling firms to expand their capabilities and increase their capacity without the overhead of direct employment and infrastructure costs.

This is particularly crucial in an industry that heavily relies upon technology for data management, client communication, and regulatory compliance.

However, despite the potential benefits and desire of service providers and clients to make outsourcing a success, journeys rarely run smoothly with a myriad of issues to be addressed – each with their own challenge for those working in asset and wealth.

Based on our experience, these are some of the key considerations we believe should be factored into any asset and wealth IT sourcing programme to ensure its success.

Strategic alignment specific to an asset and wealth managers needs

An asset and wealth manager's IT sourcing strategy

must align with the overall business strategy and objectives. For example, if outsourcing IT systems that support portfolio management or client reporting, the new strategic partner must understand the critical nature of these tools in helping clients make informed investment decisions. With the right alignment in place, wealth managers are better placed to have outsourced services that enhance their ability to deliver high-quality, reliable financial advice and management.

Governance and supplier relationship management

Good governance, supported by an effective underlying governance framework is crucial in any outsourcing arrangement – but even more so in an industry where compliance and operational reliability are paramount. Performance metrics with strategic partners should be agreed early in the sourcing process and reflect the compliance standards that are required in financial services. For example, ensuring the recoverability of critical systems – where even a short amount of downtime could lead to significant financial loss and/or regulatory impact for an asset and wealth manager.

Compliance and data security

Given the sensitive nature of client data and strict regulatory requirements, managing data security and compliance risks is critical. Outsourcing means that regulatory requirements such as SYSC8 will need to be addressed – with the intricacies of each requirement varying by geographic location and service scope. Firms must ensure their service providers are capable of handling compliance with these regulations, and that they have secure processes in place e.g. for data handling and breach management. It is also important to address how the strategic partner will manage any subcontractors and their adherence to this too.

Cultural compatibility and industry expertise

Cultural alignment is particularly significant in the asset and wealth management sector, where client relationships and trust are key. The strategic partner should not only align with the firm's corporate culture, but also understand the ethical standards and client-focused approach typical of wealth managers – ensuring that the strategic partner's team uphold the firm's standards in any client interactions and

service delivery. Additionally, it is important to think about the tier match between firms and their strategic partners – for example, a small-sized asset manager of c.1000 employees is unlikely to secure the best service and the “A” team from a large tier 1 service provider.

Ability to adapt

Strategic partners must be able to provide services that are not only scalable, but flexible enough to adapt to new financial products, changing market conditions, and evolving regulatory landscapes. For example, as sustainable investing grows in

popularity, firms might call upon their partners to help integrate new data sources and analytical tools to assess environment, social, and governance (ESG) factors

IT Outsourcing is both a strategic and tactical tool that can enable asset and wealth managers to devote more resources to areas that directly affect client satisfaction and strategic growth, such as investment strategy development, client relationship management, and innovation in financial products. However, despite this promise, IT outsourcing arrangements often fail to realise these benefits. Whilst

hard factors such as service levels, governance, and compliance are important and can generally be resolved, softer factors such as cultural compatibility, tier match, and lack of overall business alignment are much harder to address. It is therefore important to build these into any sourcing programme, and to reflect on them well in advance of renewing any deals with incumbents.

If you would like to speak to Paul Atherton regarding this insight, send your enquiry to contact@masonadvisory.com

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About Mason Advisory

Mason Advisory has offices in Manchester and London and employs over 100 staff, with plans to continue its expansion. We enable organisations to deliver value through digital & technology transformation, solving complex business challenges, and helping clients set strategy through the intelligent use of IT resources including architecture, cyber, data, digital, operating model and organisational design, service management, and sourcing. We operate in sectors such as financial services and insurance, legal and law, government, health and social care, emergency services, retail, FMCG, transport, and not-for-profit.

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