

## How Investment Management Firms Benefit from Engaging the Right Consultant

### SUMMARY

During an era when critical skills are in short-supply and valuable IT and business personnel spend most of their working hours in meetings, consultants can make the meaningful difference between a project's success or failure. The right consultant brings diverse skills, broad perspectives and an understanding of both business and technology. In addition, consultants are best positioned to contribute in a way seldom possible by others since they can apply focus and attention to the task at hand – something that is difficult for full time employees to do when they are juggling competing demands and BAU tasks. This article:

- delves into business problems prevalent in many investment management firms, especially in vendor product evaluations and implementations;
- deals with how an outside consultant can play a significant, contributory role; and
- leverages a practical use case to demonstrate key benefits and tangible results delivered by a Meradia consultant who moved an almost failing project to a successful outcome.

### PREVALENT BUSINESS PROBLEMS:

#### Daily Commitments, Product-Vendor Alignment, Configuration Versus Customization, System Selection and Change Management

Investment management firms do not always have the right ingredients to successfully navigate change initiatives. Sometimes they lack the specific knowledge of how to accurately fit a requirement into product functionality. Other times they are missing key skills to negotiate with vendors to enhance their product beyond its default configurations. In certain instances, their deficiency is in how to navigate internal politics to get decisions made.

When vendor products are involved, the onus for success shifts to the vendor professional services team which can suffer from a different set of constraints. Vendor professional services teams' juggle multiple clients; therefore, they can lack focus and/or time. In addition, vendor professional services teams have the best interests of their product and their firm at the forefront; hence, they may not respond to clients' most complex issues favorably. Some common, canned responses from professional service team members include:

- "We will contact the product development team and submit an enhancement request."
- "This is a bug; the fix will be released in a future version."
- "The methodology requested is not standard and is a one-off not typically followed in the industry."

Professional services are constrained by product design and corporate strategy; therefore, their teams may not think of creative methods to solve for unique client needs. This is particularly true if the creative methods needed are to bridge the gap between the client and the product. In other words, the product might require 'flexing' while maintaining a fine balance between standard configuration and customization – an idea that might not gel with the vendor's stated objectives.

There are grey areas between what is readily available in a product, what can be achieved with creative configurations, and what is simply not possible. Complex requirements often need solutions that can penetrate these virtual areas. There are obstacles to successfully navigating these grey areas:

- Professional services teams get nervous when the product is deficient, as any gap can make the product and/or vendor look bad.
- Vendor employees are more likely to have a pre-conceived approach or bias to protect against revealing gaps or weaknesses.
- Vendor dedicated professional service teams tend to obfuscate or avoid giving bad news about deficiencies by pushing them into later project tranches.

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## PREVALENT BUSINESS PROBLEMS (continued)

These obstacles limit creative thinking and frequently result in project delays that could be avoided by collaborative brainstorming. A solution is to engage outside consultants who understand that no vendor product is perfect and creative solutioning is required to fit the product to the client's exact needs. Once protection bias is taken out of the mix, consultants are free to address the toughest problems and provide more predictable paths to delivering a fit-for-purpose solution to end users.

## CONSULTANTS CAN PROVIDE CLIENTS WITH OPTIMAL SOLUTIONS:

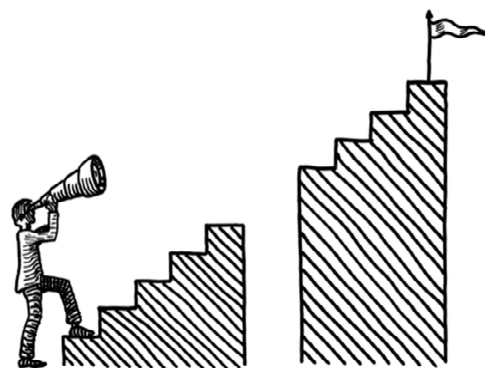
### Change Management, Unencumbered Analyses, Holistic Frameworks and Syncretic Solutions

Valuable consultants are those who are subject matter experts and understand change management. They can see beyond the constraints of a vendor system into the realm of what is possible now or should be attainable. Unencumbered analysis is a key tool in their skillset. When changes are warranted, they know how to request them in a way in which both the client value and the technology changes are achievable. They prudently push system boundaries to deliver practical solutions.

The best consultants know how to adopt a project-centric focus which propels them to identify alternatives when they encounter roadblocks. Armed with domain skills and systems design and development expertise, they can flex the vendor product and data with novel methods. Operations technology consultants understand the intersection of data, client, system, and vision which makes them uniquely qualified to tackle tough system or implementation challenges. The right mix of process changes, new data management methods and modified technology stack can shift an impossible feat to one that is conditionally successful most of the time.

Consultants who best bridge gaps understand both the top-selling vendor products and how investment management firm's data can be adapted to them. They view the solution as a tightly integrated set of technology components and workflows. They go above and beyond the vendor product functionality to define a holistic framework that encompasses diverse technology components working in unison. In short, they aim to provide a syncretic solution.

The consultant you want to engage can deftly wear different hats depending on your needs – from articulating requirements to massaging data to system configuration and testing. The combination of having the right skills, a flexible can-do mindset, and a focus on solving problems makes all the difference between a project's failure or success.



## USE CASE: GAP ANALYSIS OF AN ATTRIBUTION PLATFORM – BUSINESS VALUE DELIVERED

### BACKGROUND:

A large asset management firm was using a Java and Excel-based system to perform multi-asset attribution for nearly two decades. Operational procedures extracted inputs from internal repositories and normalized data with monthly file loads. It was manual and complex. Also, the in-house platform did not have a clear roadmap to enhance features as methodologies continued to evolve. The firm decided to identify a suitable replacement and evaluate a vendor product that was already in use for Equity attribution. They formed a three-member team comprising a firm representative, a Meradia consultant and a vendor professional services representative. The team worked on a Proof of Concept (POC) to ascertain if the vendor's multi-asset attribution model could meet the firm's needs.

### ANALYSIS:

After the team performed a two-month long analysis, they determined:

1. The vendor's out-of-the-box multi-asset attribution model fit about 50% of the client's requirements which was insufficient.
2. Each portfolio had unique classification structures which posed challenges.

The firm developed growing concerns about project outcomes.

### CONSULTANT APPROACH & RESULTS:

1. **Clarified each point of confusion and made them actionable** – Meradia created a gap analysis artifact that clarified the model fitment, i.e., where attribution effects from the vendor platform could be used out-of-the-box, where additional configurations would be required and what those changes entailed. Meradia created outputs to describe gaps and model fitment with sufficient detail to garner understanding, promote new ideas and ultimately drive consensus.

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## USE CASE: GAP ANALYSIS OF AN ATTRIBUTION PLATFORM – BUSINESS VALUE DELIVERED (continued)

- 2. Provided subject matter expertise in performance** – Meradia analyzed and designed an attribution effect in the vendor platform by altering and testing new configurations. Despite vendor claims that the product would need to be enhanced, Meradia recommended configuration changes that resulted in the rise of model fitment from 50% to 80% without code changes.
- 3. Conducted data analysis and applied testing knowledge** – Meradia increased the firm's confidence in the new model by reconciling the results and explaining the discrepancies between the current and the new models that arose during testing. *Note: The vendor validated the model results and then Meradia consultants performed the critical role of providing business rationale behind each of the differences.*
- 4. Collaborated with the vendor** – Meradia collaborated with the vendor to build a single report for all portfolios to enhance the firm's user experience, while also proving the scalability of the vendor platform.
- 5. Provided market and industry perspective on performance systems** – Meradia conducted a market assessment in parallel by identifying if there were other solutions that might be a better fit. Excluding other possibilities further motivated participants when the project seemed difficult.
- 6. Kept everyone informed** – Meradia created a project plan and updated status, progress, and risks so nuances could be easily understood by all stakeholders.

## CONCLUSION

In the use case above, the client stakeholders were smart; but their daily meeting and BAU schedule left limited time and focus to manage the demands of the system replacement. Data analysis, system configuration, testing and artifact creation take time. In this case they took weeks of dedicated focus. Without the right additional resources, the same endeavors would have taken months to complete. In many cases, such a delay would have resulted in a cancelled project. Enlisting Meradia's subject matter expertise in performance attribution with strong business analysis and data skills was pivotal in reconfiguring the firm's platform without enhancement.

## HOW MERADIA CAN HELP

Meradia's experts in investment performance, operations and technology have in-depth knowledge of many of the top-selling vendor systems. Our well-earned reputation for delivering clear, unbiased, and objective analysis guides investment firms through the vendor selection process to choose a product that best fits the business needs based on an organization's strengths and technology capabilities. Further, we have the expertise to help prepare firms for their conversion from one platform to another, and to perform system implementations.



**Jose R. Michaelraj, CIPM,** is a Senior Consultant who plays a central role in the Performance & Risk practice. He brings more than 15 years of progressive, varied investment services experience; establishing performance system architectures being one of them. His strong domain, functional and technical skills; combined with end-to-end process knowledge, data management expertise and project leadership result in effective and efficient solutions. He understands the broad contours and specific nuances of many investment performance products including FactSet and BNYM Eagle. Fluent in SQL and an expert in translating business needs, Jose is competent in helping clients design, test and implement practical, long-term solutions. For the global risk solutions group of an asset servicing client, Jose redesigned important aspects of investment performance systems, established best practices for the information delivery framework and standardized performance validation procedures across US, Europe and India. Identifying the right technology stack to maximize business value is something that intrigues him.

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