Secrets to Successful Data Transformation Strategies

The financial industry is witnessing a transformational 'tidal wave' of change, with vendors exerting a gravitational pull on the front office, providing integrated data and applications while asset servicing providers absorb post-trade, middle, and back-office operations. Generative AI, NLP, and machine learning demonstrate near limitless application and use opportunities. Competition for assets and consistency in growing and delivering exceptional investment returns is increasing where only a few basis points can make all the difference.

Financial firms are increasingly and acutely aware that their data management, governance, and architecture foundations are obsolete or insufficient to meet the growing demands of investment management, transformational technologies, and operational evolution. Finally, the imperative to demonstrate progress toward improved data literacy and governance, modernized and scalable architectures, improved operational efficiency, and effective management control could not be more relevant. How will you compete using these transformational capabilities? Winning will depend on how you prepare for this wave of financial industry evolution. Are you ready? Have you prepared? Do you have a data transformation strategy to achieve your business objectives?

An enterprise-level data strategy outlines the organizational, technical, and operational framework for the management and use of data, treating it as a critical asset for operational and strategic decision-making to support the firm's business objectives. It includes the firm's objectives regarding the structure, architecture, management, and use of critical information across the enterprise to support business growth and scale, competitive differentiation, product and service enhancements, or cost and operational efficiency. Data strategies are often defined at the enterprise level with a broad scope and altruistic, generalized statements conveying the expectations about the operational use and management of business-critical information as directional guidance. However, our business operations, architectures, and technology ecosystems are complex and often include legacy and contemporary data structures and diverse information access methods. Enterprise-level strategies are often too broad and general to provide the effective guidance and frameworks required when engaged in transformation initiatives reshaping our business operations and information architectures.

Data Transformation Strategies reflect the tenets of the enterprise strategy but are detailed, targeted, and actionable. They should have clear definitions of measurable value and outcomes resulting from business operations and architecture transformation initiatives.

A general data strategy includes:

- **Business Objectives** – Defines the specific objectives the strategy aims to achieve (e.g., growth, market expansion, customer retention, cost optimization, innovation).
- **Data Strategy Objectives** – Defines the targeted improvements, enhanced capabilities, and operational efficiency that drive the expected business value.
- **Architecture Vision** – Defines the vision of the future state architecture to support the data strategy (e.g., legacy transformation, modern technologies, new analytics, visualizations, AI integration, etc.). Ensures feasibility of integration and interoperability with seamless connectivity and compatibility between sources, systems, and platforms.

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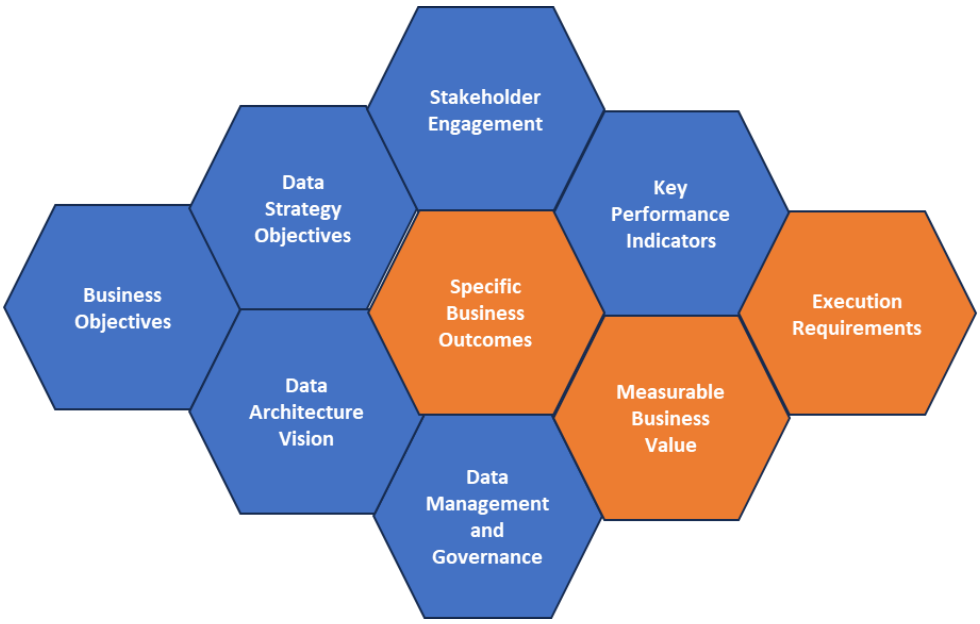
A general data strategy includes (continued):

- **Management Operations and Governance** – Defines the data management improvements and operational frameworks promoting increased efficiency. Specifies the data governance framework anticipated to ensure quality, security, and compliance.
- **Stakeholder Engagement** – Ensures active involvement and buy-in from key stakeholders, including leadership, professionals, and IT. Promote collaboration and open, transparent communications.
- **KPIs (Key Performance Indicators)** – Defines specific KPIs that align with the business objectives (metrics related to risk reduction, revenue growth, customer satisfaction, operational efficiency).

SECRETS TO SUCCESSFUL DATA TRANSFORMATION STRATEGIES

The following illustrates the components of a data transformation strategy:



Source: Meradia

The secrets to designing successful data transformation strategies require explicit definitions of the following:

Quantifiably Measurable Business Value

- Supports business growth, new products, service enhancements, and enables innovation.
- Drives improvements in client services and customer satisfaction.
- Improves business efficiency, increases profitability, and reduces cost and waste.
- Establishes quality metrics, enabling higher confidence and trust in the data.
- Enables faster time to effective data use.
- Provides ease of access, integration, and interoperability.

Specific Business Outcomes

- Improves accuracy of business decision-making.
- Increases operational efficiency and reduces operational risk.
- Enables business, operations, and technology transformation.
- Precisely aligns the shape and quality of data to operational consumption specifications.
- Simplifies and modernizes the architecture for future scale while reducing complexity.
- Improves efficiency by reducing wasted time and effort.

Secrets to Successful Data Transformation Strategies

Execution and Achievement Requirements

- Established data literacy and competency in managing quality.
- Technically proficient in supporting and enabling selected architecture and platforms.
- Defined vision, experience, skills, and command of the data domain and technologies.
- Recognition of the value of data, treating it as a high-value asset with standards of care.

Example: Performance Measurement

The successful implementation of a new performance measurement application is highly dependent on your firm's ability to validate the quality of the data used to calculate portfolio returns and attribution. Success also depends on achieving the desired business outcome, such as enhancing your performance measurement capabilities with attribution.

Example: Investment Recommendations and Machine Learning

A machine learning implementation may be expected to improve client service by providing investment strategy recommendations to an investment professional based on the client's return expectations and risk tolerance. The execution requirements would include having high-quality, comprehensive data about investment strategies, performance returns, and measures of risk to train the model and accurately calculate the optimal investment configurations. The business value stemming from a program can be measured using the number of accurate investment strategy recommendations provided to the investment professional that reduces the time to deliver optimal recommendations to the client.

While enterprise-level strategies define policies for general data use and standards of care, the secret to designing successful data transformation strategies includes defining **Measurable Business Value**, **Specific Business Outcomes**, and **Execution Requirements** to achieve your business objectives successfully.

Failing to define the measures of business value and specific outcomes could lead to questions and criticism about whether the project cost was worth the investment. Further, overlooking the execution requirements and prerequisites could result in a failed project or potentially require additional, unplanned investment and resources. Avoid these mistakes and ensure your data transformation strategy establishes consensus about the business value and outcomes. Ensure the execution requirements are well-defined, understood, and achievable to support a successful implementation.

A data transformation strategy is important and truly foundational for any data project implementation. It provides the blueprint for how data will be managed, used, and protected, ensuring that the project is aligned with business goals, efficiently executed, and capable of delivering tangible value. Without a comprehensive strategy, you risk facing failed projects and missed opportunities using data to achieve strategic advantage.

HOW MERADIA CAN HELP

Meradia is here to assist you in preparation for the wave of business operations, data, and architecture transformation ahead:

- Define data transformation strategies designed to achieve your business objectives.
- Drive information architecture modernization for growth and scale.
- Implement operational changes that improve operational efficiency.
- Develop control frameworks and KPIs to improve confidence and trust in the data.
- Establish literacy and governance to drive a data-driven culture.

Meradia will help you prepare, plan, and execute transformation initiatives that will enable you to meet your business objectives and capitalize on this wave of industry evolution.

Brian Buzzelli is an accomplished leader in financial data management with more than 27 years of experience in the financial services and asset management industry. He has a deep background in data strategy, quality, architecture, governance, and data management operations. Brian has championed data quality and pre-use data validation, allowing investment and operation professionals to focus on their core responsibilities. His innovative approach drives a data-driven culture, treating data as an asset that involves leveraging manufacturing techniques to engineer a robust data quality control framework, ensuring accuracy and precision. Brian's strategic focus revolves around driving data and architecture transformation in investment management operations, simplifying data architecture, reducing operational risk, and increasing overall operational efficiency. His commitment to data quality and control frameworks empowers investment management flexibility, supporting enterprise data integrations, new products, and services, and aligns data efficiently with vendors.

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