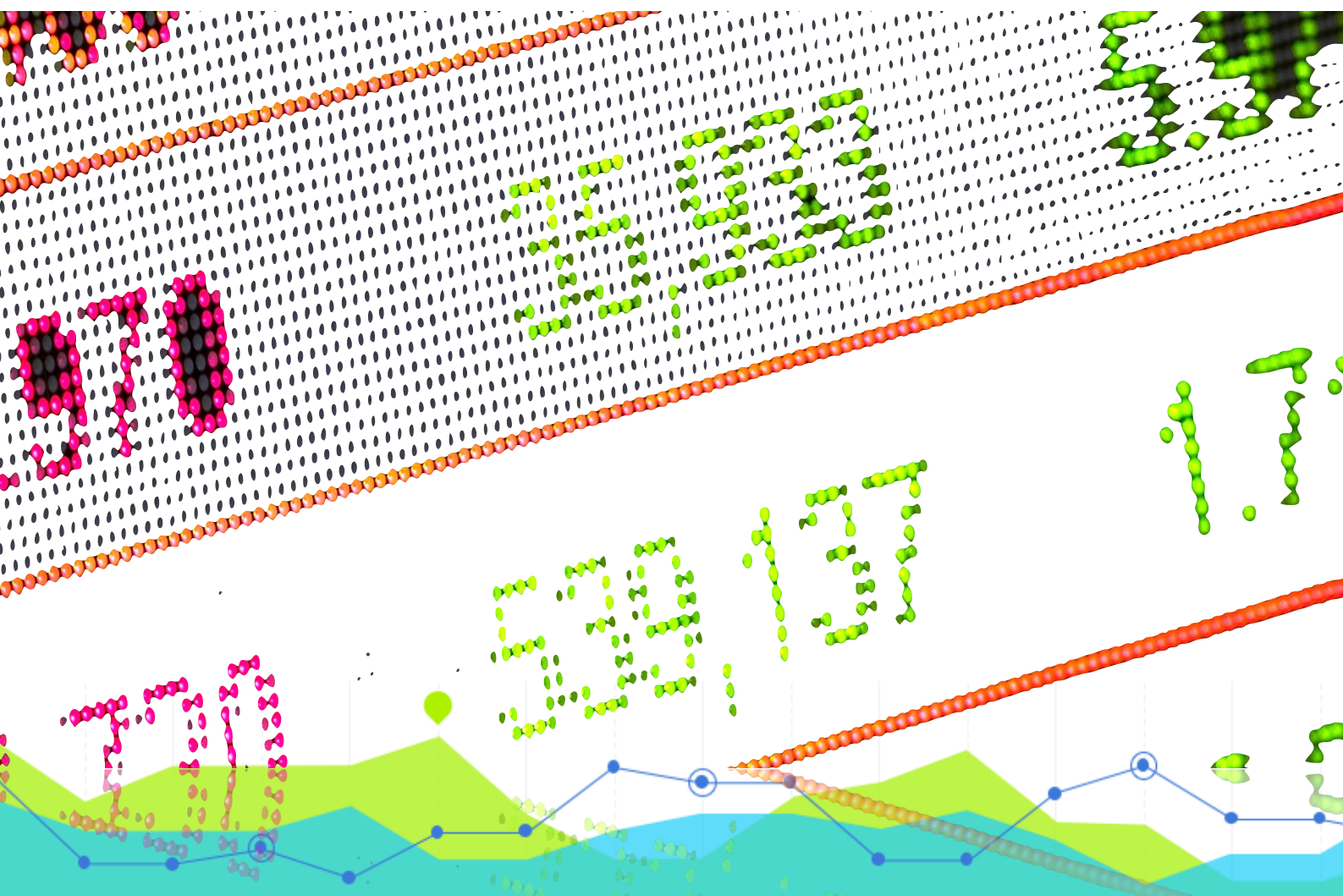# αdox research

Trusted Data: Mirage or Nirvana?

A C-suite perspective on what matters most in data

An Adox Research White Paper, commissioned by Xceptor

Trusted Data: Mirage or Nirvana?
A C-suite perspective on what matters most in data

Introduction

Words and definitions matter. So many of our industry's conversations around data use evocative and metaphorical language: 'data integrity' , 'golden sources' of data, 'single source of the truth' - the vocabulary borders on the religious and mystical, at odds with the prosaic reality of LEIs, ISINs, and NAVs. Since 'data' covers such a wide field, the use of broad and imprecise language is hard to avoid, and in many cases it is a useful way to convey an essential shared property of data management realities and best practices.

None more so for the notion of 'trusted data'. The concept of trust is essential in financial data management - a direct and necessary quality for any financial relationship or transaction. Our relationships with banks, asset managers, wealth advisors, insurers and other FSIs are underwritten by a trust relationship, codified in best practices, codes of conduct, societal conventions, and in many cases - regulation and the law.

While everyone agrees that trust is important - it is notoriously hard to define. What makes an institution, a brand, an individual or a piece of financial data 'trusted'? The dictionary definitions don't really help: trust is *"a firm belief in the reliability, truth, or ability of someone or something"* - setting us up for the definition of belief: *'an acceptance that something exists or is true, especially one without proof''.* Going round in circles is of course an experience familiar to many data professionals ….

Does this tendency to talk about data and trust in religious and mystical language leave us with enough firm ground on which to build specific, tangible and outcome-focused data management projects?

In order to understand why and how data can be labelled as 'trusted' data, we wanted to build on the findings of our 2019 Data Exception Management paper to get a more holistic view of how senior executives (CEOs, CTOs, COOs) are defining trusted data vs fit-for-purpose data, and how digital transformation and tech innovation are changing the rules of the game.

This research combines findings from a survey of 90+ FSI executives and in-person interviews to get to a deeper level of understanding what 'trusted data' means, and why it matters to the C-suite.

Our findings can be summarized in five key insights:

- *COOs and CTOs are not looking for data perfection: predictability and consistency matter most*
- *Make better decisions faster: data driven and customer-centric decision support is the real goal*
- *CTOs and COOs need pragmatic quick wins: practical use cases and better usability for the business owners*
- *Executives are sceptical about the potential of a tech-forward approach*
- *Keep it real: overcoming the cost of change requires strong partnerships and competent execution*

COOs and CTOs are not looking for data perfection: predictability and consistency matter most

Why do banks, asset managers and insurers even need to worry if data can be trusted or not? That question is easy to answer: more than half of the data an FSI receives is not good enough, and needs to be corrected, completed or enriched in order to be processed automatically. It turns out however that data quality is not the be-all and end-all - and most executives were pragmatic to a fault - challenging previously held orthodoxy.
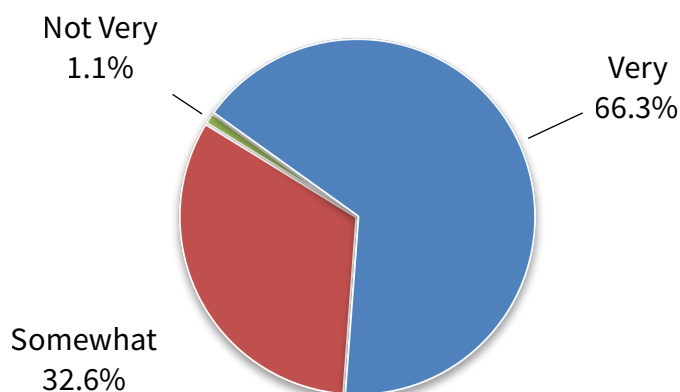
Survey respondents and interviewees addressed the potential of multi-source comparison or 'golden source' approaches to establish a 'single version of the truth' - with a majority of firms stating that it is still 'very important' to increase

"

Fragmentation and occasional duplication is 'just a fact of life for large organisations'

data quality. The C-suite interviews interviews show a different picture: they are more accepting of variation and fragmentation. There is a clear shift away from a canonical multi-source validation model: there may be different versions of the truth - but all true for their purpose, so it is not a data quality challenge - but a data consistency one. Firms need various flavours of data - all fit for their different purpose: there is no absolute right or wrong. Experienced executives know that fragmentation and occasional duplication is '*just a fact of life for large organisations*'. Building a consistent view across is necessary, but does not mean one system has to 'rule them all' or replace the others.

How important is it to have a 'single source' or 'golden source' of data?

Not Very
1.1%

Very
66.3%

Somewhat
32.6%

Figure 1. Importance of 'single source' record of trusted data, % of firms

Making better decisions faster: data driven and customer-centric decision support is the goal

High automation levels are no longer the only relevant goal for banks, asset managers and insurers. Innovations in technology have made the headlines - with Artificial Intelligence and Robotic Process Automation (RPA) capturing the bulk of the attention and funding. So do we even need 'old-fashioned' data management? Interviewees were very clear that traditional data ingestion and transformation is 'totally related' to these innovations. Firms can bring in new data sets but unless they have a clear grasp of positions, reference data and consistency - new initiatives will falter. The 'garbage in garbage out' mantra has probably been used too often in data management discussions - but it featured in quite a few of our interview sessions...

> *…..banks increasingly want to automate decision support: 'let me make that decision for you'*

What do firms want, and which strategic objectives are most important? The real prize is not just the familiar area of process automation, even if RPA has put core automation in the spotlight again - the Adox Follow the Money research shows many gaps in trade lifecycle automation. Increasingly, it is in the area of better decision support, that banks see the real potential. That is driven by front-office changes - alternative trading and investment strategies and the data that drives them.

Likely trigger to drive investment in Data Exception Management? Top 3 Responses
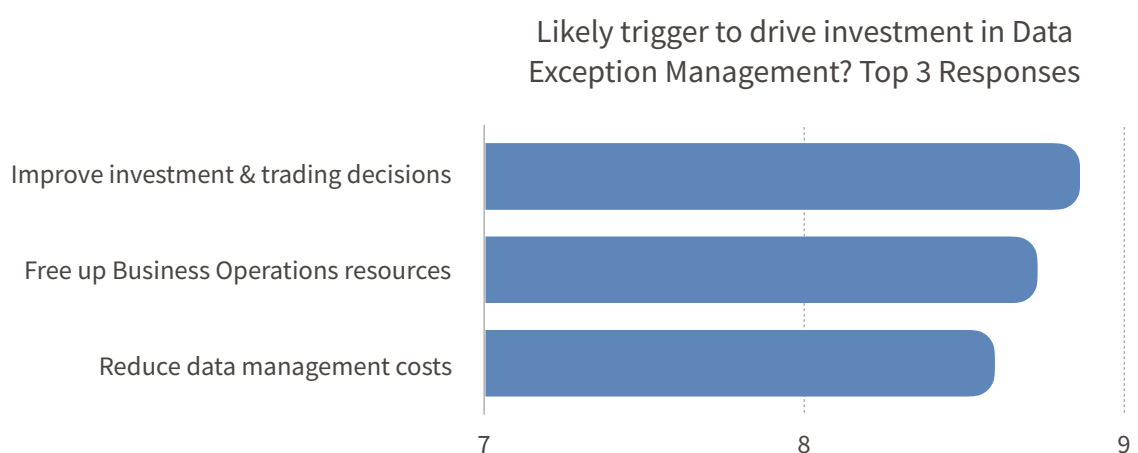

Figure 2. Triggers for increased investment in data exception management

The aim is not simply to automate, but to have better tools to support an industry squeezed by margin compression and regulatory costs. Banks and asset managers don't just need to become more efficient - they are under massive pressure to innovate and find new sources of revenue, trading P&L, and alpha.

> *Research, idea generation, alpha is the key change driver*

Across the board, senior executives are focused on how the new business environment is driving data choices. Investors looking for better returns leads firms to alternative strategies which in turn leads to alternative (sometimes unstructured) data sources. That alternative data is relevant to existing strategies as well, for example in the case of social media data or sentiment data. Research, idea generation, alpha is the key change driver for asset management firms. So the technology function is building infrastructure which combines structured and unstructured data, and IT leaders are looking at ways of joining up those two worlds

CTOs and COOs need pragmatic quick wins: practical use cases and better usability for the business owners

Faced with these new business drivers, diverse technology options, and a sometimes vague grasp on the overall objectives, what are IT executives actually doing? It turns out they are refreshingly down to earth: the big vision stuff is left to commentators and analysts while banks and other FSIs get to work on much more immediate priorities. The focus in large firms is on developing data management use cases internally - solving specific problems more than 'big picture' data strategy. According to multiple COOs and CTOs we interviewed, large scale projects fail when they focus only on ingestion/populating the data - but then they cannot get that data out to the business.

Extracting value from the data we collect and create during the course of business is:

% of firms

Overhyped - most data is commoditised and not unique to our business	21.7%
Mission-critical - we are in a competition to extract differentiated value	65.2%
Table-stakes - everyone is doing it and we try and keep up with the industry	10.9%
Not a core competency - we are looking for technology and ops partnerships	2.2%

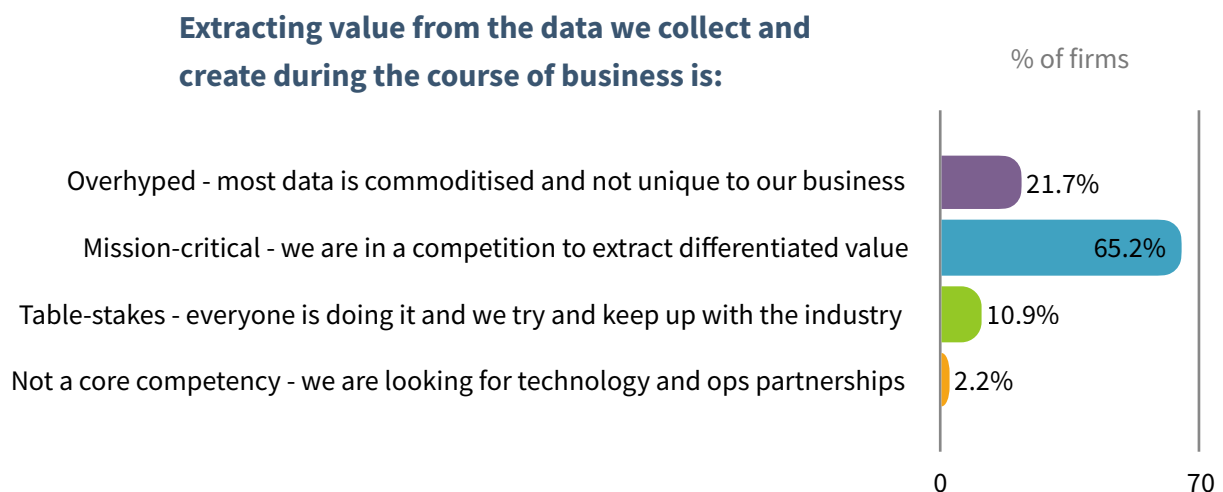0   70

Figure 3. How important is it for financial services firms to focus on value-added data?

IT specialists are able to get value out of data, but the business people are not. Firms need a strategy to get the data in AND out. When it comes to technology quick-wins, our respondents focused on usability. Much of the data management 101 work has been done - but its benefits are hard to distribute to all stakeholders. That is where self-service and end-user enablement come in - increasingly aligning with our consumer-tech experience that 'it is useful BECAUSE it is simple". Many executives are convinced there is still a lot of scope for simplification from an end-user perspective.

Executives are sceptical about the potential of a tech-forward approach

Although everyone is on board with the need to innovate and support a long-cycle shift to more customer-centric operating models, our respondents were sceptical about the ability of new technologies to solve long-standing data challenges: "Vendors who say 'you don't have to do core data management anymore - just give us unstructured data and we will create trusted data' — that is not our experience."

" *Taking a bunch of data and tossing AI at it does not produce results.*

Perhaps as a consequence, IT leaders are not in a hurry to rip-and-replace or move to a single-vendor model. The need to spread operational and vendor risk, and take advantage of specialist tools means that best-of-breed is not dead yet. Some firms prefer a mix of specialists, others want to consolidate vendor solutions where possible. In all scenarios firms worry about their own data management maturity and governance model, with only 15% of firms able to take a true 'single view of data'.

What is your firm's ownership model for Data Quality & Governance?

- Product or Asset Class Level (e.g. equities, FI,..)
- Functional Level (e.g. risk, trading, accounting)
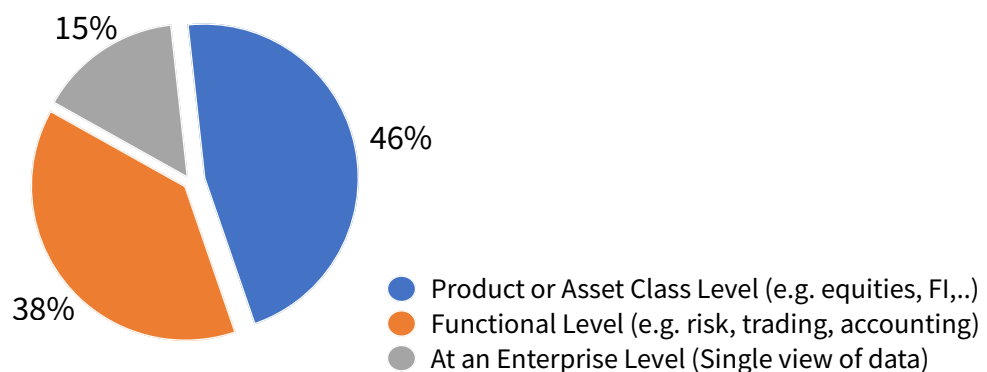- At an Enterprise Level (Single view of data)

Figure 4. Fragmentation of data quality and governance ownership

Keep it real: overcoming the cost of change requires strong partnerships and competent execution

Transforming disjointed, incomplete and fragmented data into trusted data does not come cheap - especially in a 'do more with less' environment for IT executives. That cost of change is exacerbated by the fact that resources are typically tied up in revenue generation initiatives. This means progress in trusted data programs has to be incremental, sequential and low-risk. The consequences are clear - vendor partnerships need to be rooted in strong partnerships focused on support and short-term ROI objectives. The reputation of a company is more important than the capability of a system, and suppliers have to be committed to support. It is ok (and desirable) to be safe and boring, tried and tested. Suppliers need to show the ability to deliver sequential implementation, with pay-back along each stage.

" *We need multi-year building blocks approach, adding instrument, pricing, entity data over multiple cycles*

The interface between technology, data and the business is critical to success. It is also the hardest part to deliver, as it depends on complementary skills between specialist vendors and FSIs, and a level of data governance maturity and project management expertise which is difficult to find in an industry still dominated by siloed data and processes.

IT leaders want to give the business stakeholders more control, and accountability, but their obstacle is still the *lost-in-translation* challenges between the three types of expertise needed: technology, data, and business process. Some interviewees are hopeful that a new generation of business owners will be more comfortable with technology and data and can bridge those gaps better than in the past.

That is a however a management maturity and communication challenge, not a technology one. Although the quantitative results of our survey ranked the need for better technology highest, the picture from our interviews with C-level executives in investment, operations and technology roles was more mixed: cultural and organisational change is needed just as much - if not more.
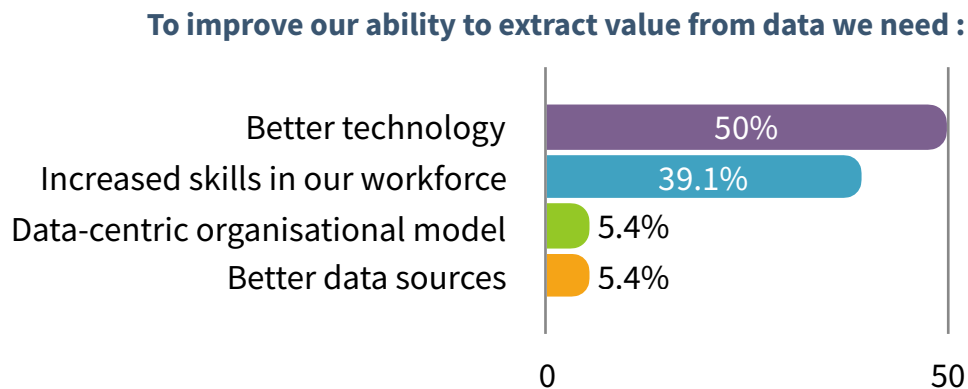
To improve our ability to extract value from data we need :

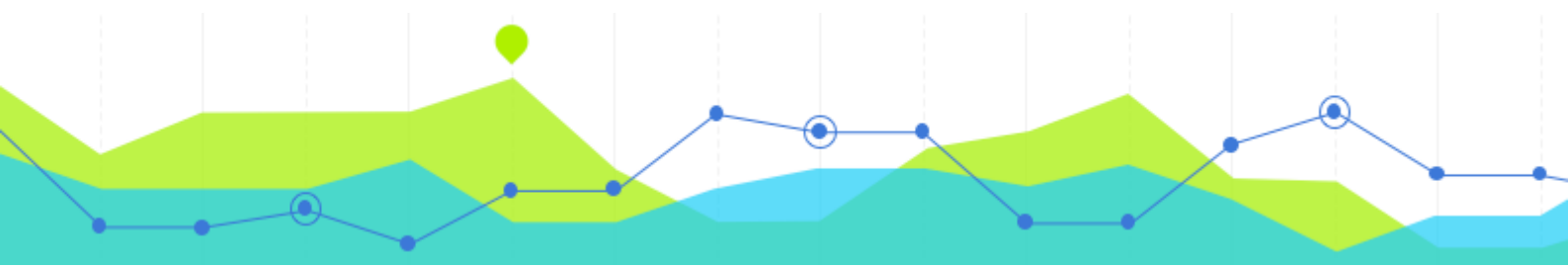|	
Better technology	50%
Increased skills in our workforce	39.1%
Data-centric organisational model	5.4%
Better data sources	5.4%

0   50

Figure 5. What changes do firms need to get better at extracting value from data?

Squaring that circle, there is a lot of enthusiasm for changing the typical customer/supplier relationship between IT and the business. The self-service enabled and tech-savvy business user of the near future will need to partner with in-house and external technology experts to accelerate the move towards fit-for-purpose, trusted data -

" *Projects that are driven by, funded and sponsored by the business actually succeed - so overall project risk goes down*

all without creating a monolithic data ownership model rooted in traditional IT functions. Business owners want to get their hands on data quicker - and not have to go through IT provisioning to get there.

Summary

When we compare the results of our quantitative survey with some of the additional colour and depth we heard in the executive interviews, there is an interesting mix of validation and challenges:

- data quality is important, but not the only relevant criteria for trusted data: predictability and consistency are equally important in a fragmented data environment
- the rise of customer-centric and decision-support driven data projects is notable: operations and IT are no longer the only or primary stakeholders
- pragmatism wins the day: senior executives need to get things done, and that is more important than data management orthodoxy
- C-level executives know that building a trusted data infrastructure is not a one-off or short-term project: they are looking for a building block approach which emphasises partnerships and strong execution

About this Research Paper

Survey Demographics
Adox Research Ltd surveyed 90+ senior technology and data management executives with technology buying responsibility during January and February 2020. Additional in-person interviews were conducted to provide perspective beyond the survey responses. This research was commissioned by Xceptor and conducted by independent research specialist Adox Research Ltd.
- Geographical breakdown: UK 27%, EU (non-UK) 19%, APAC 9%, North America (USA, CA) 46%
- Segment Breakdown: Asset Manager 44%, Custodian 3%.,Universal Bank 41%, Investment Bank-CIB 12%

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