

PERSPECTIVES

Institutional Momentum: The Role of Costs, Complexity, Culture and Data

Insights from Pershing's Institutional Client Advisory Board



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In late October, Pershing executives joined virtually with several key clients for the first meeting of the Institutional Client Advisory Board (iCAB). This board was created to provide institutional clients with a forum to discuss industry trends and share their business innovations and challenges, while also directly informing Pershing's strategic direction.

When Pershing was forming the board in January, members shared their top business challenges. At the time, they emphasized rising costs, regulation, technology, market consolidation and access to liquidity. When we polled members again at our fall meeting, these issues remained important, but this time many members also cited "other challenges" in their response.

This intriguing "other" category formed the heart of the board's discussion. Here is what we learned:

Three Emerging Challenges

1



The Where of Work

REMOTE WORK CONTINUES,
BUT IN-OFFICE VITALITY
RETURNS FOR SOME

2



Data and Future Tech

GROWTH WILL REQUIRE
HARNESSING DATA AND
EMBRACING ADVANCED TECH

3



The People Factor

BUILDING BONDS IS A MAJOR
CHALLENGE IN A WORLD
OF DISTANCES



The Where of Work

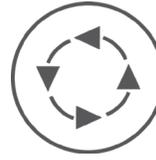
REMOTE WORK STILL CONTINUES, BUT IN-OFFICE VITALITY RETURNS FOR SOME

- For most members, the lion's share of work continues to be performed by professionals working remotely. However, several firms have begun to bring teams back on site.
- One member reported having 25% of the team working on site, and another has its in-office trading desk back in full operation. There is a sense that the "energy" of co-located trading teams is ideal and, as one client noted, "Getting real-time trading flow feedback in a remote environment is difficult."
- These leaders are taking a hard look at their workforce location strategies, examining how best to balance in-office and remote activities going forward.
- Although teams working from home often have managed to deliver high productivity while, there is concern that some – particularly junior staff – are missing out on critical guidance, development and cultural reinforcement.
- Regulatory requirements and business risk add complexity to decisions about where work gets done. Said one client: "We're reevaluating how many offices we need, which impacts adherence to regulations and disaster recovery plans."

Key Takeaway

Members are unsure how their post-pandemic "new normal" will look in terms of how and where their teams will perform best. Important decisions loom regarding how they will – or should – use office facilities in the future, and how they will make the best use of their talent and technologies to grow their businesses.

“We’re reevaluating how many offices we need, which impacts adherence to regulations and disaster recovery plans.”



Data and Future Tech

GROWTH WILL REQUIRE HARNESING DATA AND EMBRACING ADVANCED TECH

Members cite the need to improve how they manage, analyze and harness data, and are keen to adopt emerging technologies that can transform how they do business. But tight budgets, cybersecurity and related challenges must be tackled.

“We’re always looking for more client information.”

- Clients are intent on building out the right infrastructure to support business growth. This will require significant investments in back-office technology, workflow solutions, and the expertise to make these investments deliver the greatest benefit.
- One member highlighted the need to leverage data sets to improve bond pricing, equity order flow, and prospecting, stating, "We're always looking for more client information."
- However, clients recognize that richer data sets elevate privacy risks and demand even greater diligence in cybersecurity.
- Slender budgets for data protection – or any similar sophisticated tech work – are driving the use of third-party vendors that can provide expertise and efficiencies of scale.
- On the horizon, many leaders want to unlock potential benefits from integration, artificial intelligence, robotics and automation into their business processes.
- Experimenting with advanced technologies could help to attract and retain a new generation of tech-savvy talent.
- Said one member: "We're lucky, we've been hiring kids who are very technically knowledgeable and are eager to explore new technologies. We're exploring over 150 ideas for where to apply robotic technology."

Key Takeaway

Even as they have dramatically accelerated their adoption of digital technologies to support remote work, these leaders are keeping their eye on the future: seeking ways to gain insights from data to improve service and drive growth, and preparing to integrate advanced technologies into their business to drive efficiency and attract up-and-coming talent.



The People Factor

BUILDING BONDS IS A CHALLENGE IN A WORLD OF DISTANCES

Although leaders cite significant successes in adapting to the pandemic era, they also feel the pressure to preserve and strengthen their relationships – with clients, employees and strategic partners – when physical distance may remain imperative for many more months to come.

- Members said that despite great strides, they are still learning how to engage clients effectively in a virtual environment.
- These constraints are felt even more on the business development front, as their teams work to win over the trust of new clients.
- Within their organizations, there is concern that training and development may be less effective, which could negatively impact retention.

- Communication and soft skills are more important than ever and difficult to nurture from a distance.
- Members find it a challenge to instill their firm culture among new hires and worry about erosion of their culture.
- Members also say that they are being forced to deal with issues that go beyond their business management and growth responsibilities. In addition to keeping their team members connected and engaged, they are dealing with challenges to employee morale and mental health, and a host of internal political tensions.

Key Takeaway

The pandemic and requisite remote working environments have made it harder to engage existing clients and to drive new business. Leaders face new challenges as they work to keep their teams intact, engaged, motivated and feeling valued. But they are persevering and innovating, and always keeping business success at the forefront.

Closing Thoughts

2020 presented new challenges, requiring institutional firms to think differently about how they approach their businesses, people and clients. We will continue to share institutional client insights as part of Pershing's commitment to help firms adapt, transform and thrive in a highly competitive marketplace.

Putting Insights *Into Action*

Contact your relationship manager or account manager or call 201-413-2493 to discuss how these insights impact your business.