Putting it Together: How IT Departments Can Enhance Advisors' Competitiveness through Data Unification

A Conversation with InvestEdge Co-Founder RC Collins

In this Q&A, InvestEdge co-founder RC Collins discusses data unification and explains why it ought to rank among your highest IT priorities.

Why is data unification important?

For many advisors and their IT departments, data unification—bringing accounting data, third-party data, and held away accounts together into a single portal—sounds in many ways like a concept that is too expensive and fraught with complexity to be worth the effort. But if done correctly, it can significantly enhance the firm's competitiveness, while more effectively leveraging the benefits that IT departments can provide to the lines of business.

What technology barriers keep investment advisory firms from adopting effective data unification solutions?

There are several challenges from a technology standpoint—obtaining access to data stored in complex, one-off, or non-standardized systems; relying on legacy platforms that are harder to integrate because of their age and limited capabilities, and finding subject-matter experts on those platforms. Many organizations that have to deal with these legacy systems need to build and maintain complex interfaces between each of them in order to provide useful information back to their end users. As updates are performed in one system, a corresponding update needs to be performed in the other related systems in order to maintain data integrity and consistency. This approach never seems to work as well as anyone would like, which is why sharing a common data model is important—it eliminates the integration challenges and risks. It is the number and the breadth of these variables that can make it harder to arrive at an effective data unification solution.

However, we believe that the problem, while complex, is not an unsolvable one and does not have to involve as much risk or expense as most firms have come to expect.

About RC Collins, Co-Founder, InvestEdge

- **Hometown**
Philadelphia, PA.

- **How I got here**
I went to work for InvestEdge co-founder, Bob Stewart, straight out of a college internship program. It turned into a full-time position, and then eventually into the partnership that formed InvestEdge. Bob and I realized that we have a unique and complementary set of skills that put us in a strong position to address technology gaps in an industry that constantly presents new and interesting challenges.

- **Stress relief**
Attending concerts, playing guitar, reading and research.

- **Personal goal**
One absolutely perfect day.

- **Professional influence**
Creating the environment I want to work in.

- **Favorite quote**
"When we remember we are all mad, the mysteries disappear and life stands explained."—Mark Twain

Are clients too reliant on outdated technology, in particular outdated operating systems?

Firms are reluctant to change technology because the risk is directly related to their bottom lines. Change creates instability through disruption, and leads to lower productivity, higher support costs, and frustrated end users. Firms focused on a seamless client experience don't want to introduce friction into a system that seems to be functioning well enough. This is why it's so common to find older technology and legacy operating systems still in use. That—plus the cost of upgrading these infrastructures within the demands of nearly 100% uptime and the need to not introduce too much risk—make anyone doing due diligence or a cost-benefit analysis stop and take a second look.

The problem is that while these systems may seem to be running smoothly, they are, in fact, imposing technical debt on firms and making it difficult for them to effectively leverage technology to enhance client relationships. Legacy platforms simply cannot keep pace with newer offerings because of their age and increasingly limited capabilities in an environment where technology advances at an ever-accelerating pace. But I contend that it is generally worth a firm's time and money to bite the bullet and update its technology rather than trying to squeeze every penny out of systems that are actually costing them money in ways they don't even realize. While this can be challenging, investing in upgraded technology, when done efficiently, leads to significant gains in productivity, efficiency, and ultimately, the quality of relationships.

Some clients are attracted to best-of-breed solutions. Can this approach actually be a barrier to effective data unification?

Best-of-breed doesn't always mean best solution these days. Best-of-breed usually means the most widely used or most entrenched system in the market, and systems don't necessarily become entrenched or widely used because they are the best system out there. Numerous factors play into why a product comes to be considered best-of-breed. Those include cost, capabilities, simplicity, momentum, and familiarity. Any single one of these factors, or any combination therein, can get a product on a "Best-of-Breed" list.

I would instead say that best-of-breed solutions have the most exposure and the biggest communities around them, but do not necessarily represent the best-fit solution or the greatest value for a given project. Some firms take comfort in having a larger, more well-known partner to work with, and, as a result, often dismiss solutions that would be better for their organizations. "No one ever got fired for buying IBM," as the saying goes.

What would you say to a client that wants to own, rather than outsource, some or all of the IT function?

It's understandable that many clients feel that way—they're concerned about complexity and data security if they outsource a component of their IT solution. This is a completely legitimate concern: It's important to make careful choices about what and when to outsource. However, there are numerous benefits to leveraging outsourced offerings within a firm's technology platform.

For one, outsourced providers tend to have a broad view of the industry in which they work. This allows them to work with firms and provide industry-wide best practices and alert firms to potential pitfalls in their technology plans. Firms may not otherwise have the perspective to be able to see those pitfalls.

Another benefit is usually cost reduction. In most cases, it is cheaper to outsource to a specialized provider that knows how to operate their platform and has optimized it to run efficiently in their own infrastructures than it is to try to replicate that infrastructure and expertise in house. Frankly, most advisory firms don't want to be in the business of managing technology anyway; they are financial firms, not technology providers, and technology should only facilitate that business, not become the business itself.

Are there risks involved in data unification?

The risks are those inherent in any IT project—getting it wrong, or creating such a complex implementation that it disrupts business and client relationships. But these risks can be minimized if you define your key business objectives and keep a sharp focus on the benefits you want to realize, set clear goals, and collaborate on the solution. The result should be an improved infrastructure that continues to run smoothly, and a better efficiency through a unified data platform and toolset, regardless of where that data is coming from.

What would you say to a firm that feels that data unification is risky from a technology standpoint?

That the benefits—in terms of greater productivity and enhanced client relationships—far outweigh any risks, and that the risks can be minimized with effective planning. Leveraging expertise within and potentially outside your organization is an easy way to help with planning and reduce the unknowns.

How long will a data unification solution last before it has to be revised or changed?

Any firm that wants to stay competitive should stay current with technology. One of the many desirable attributes of an effective data unification solution is that it should be updatable incrementally. You should tbe able to revise and update components without disrupting the end users or the flow of information. Revisions and updates should add value to your service offering, but they should be transparent in terms of their impact on your efficiency and productivity.

If firms commit to data unification, what will change in their technology? What will their IT solution look like in five years?

It's always hard to predict what will change in technology. Current trends in technology, if they continue to play out, are likely to lead to lower administrative overhead, fewer systems to upgrade, and lower total cost of ownership for the IT solution.

The beauty of a good data unification solution is that the changes will be significantly less disruptive than you think. Your technology will be more capable, your advisors will be more empowered, and you will be in a better position to adapt to changes in the direction of the industry.

What are the first technology steps firms should take?

First define the objectives for a data unification solution and develop a complete inventory of your existing IT. If you determine you need help, then interview partners about how best to start on a data unification project and what it will consist of. If you have both the business-side and technology-side people aligned—if they fully understand each other's needs and goals—then the chances are strong that you'll be able to arrive at a data unification solution that takes maximum advantage of your current IT infrastructure, has a minimally disruptive impact on your business, and gives the firm a tremendous leg up on its ability to compete in a rapidly changing industry.