



Linedata

# **Linedata Global Asset Management Survey 2023: Key findings report**

**A time for big calls: Why industry  
technology is at a critical juncture**

# Introduction

---



There is no shying away from it: asset managers have some big calls to make in the search for growth and profitability over the next 12 months.

As markets descended into bear territory in 2022 many firms suffered a fall in management and performance fees, which is putting a squeeze on margins. At the same time, the ability to deliver an enhanced client experience and greater customization is becoming a more important competitive battleground in an industry where heavy regulation leads to many products becoming commoditized.

On top of this, 2023 is proving to be a breakthrough year for generative AI, with the rapid proliferation of tools such as ChatGPT and Dall-E. This technology offers huge promise for productivity gains within the investment industry, but asset managers have a difficult balancing act in keeping pace with the adoption of such tools while also deploying them in a responsible manner.

In this 2023 edition of Linedata's Global Asset Management Survey, we have interviewed 265 senior decision-makers from buy-side institutions across North America, Europe and Asia. Our results reveal that 63% of asset managers are accelerating the pace of their digital transformation initiatives over the next 12 months – a sign that digitalization is seen as a key solution to the competitive challenges they are facing.

This report summarizes the key findings of our research.

# Contents



- 4** Operational efficiency and the client experience are dominating the strategic agenda
- 8** Current data models are holding firms back
- 10** Risk management and compliance are priority areas for tech spending
- 12** Asset managers need to embrace the AI revolution in the middle and back office
- 14** Cloud-native solutions are prized in a fast-changing landscape
- 16** Outsourcing is becoming the norm for cybersecurity and IT infrastructure
- 18** About the research



# 1. Operational efficiency and the client experience are dominating the strategic agenda

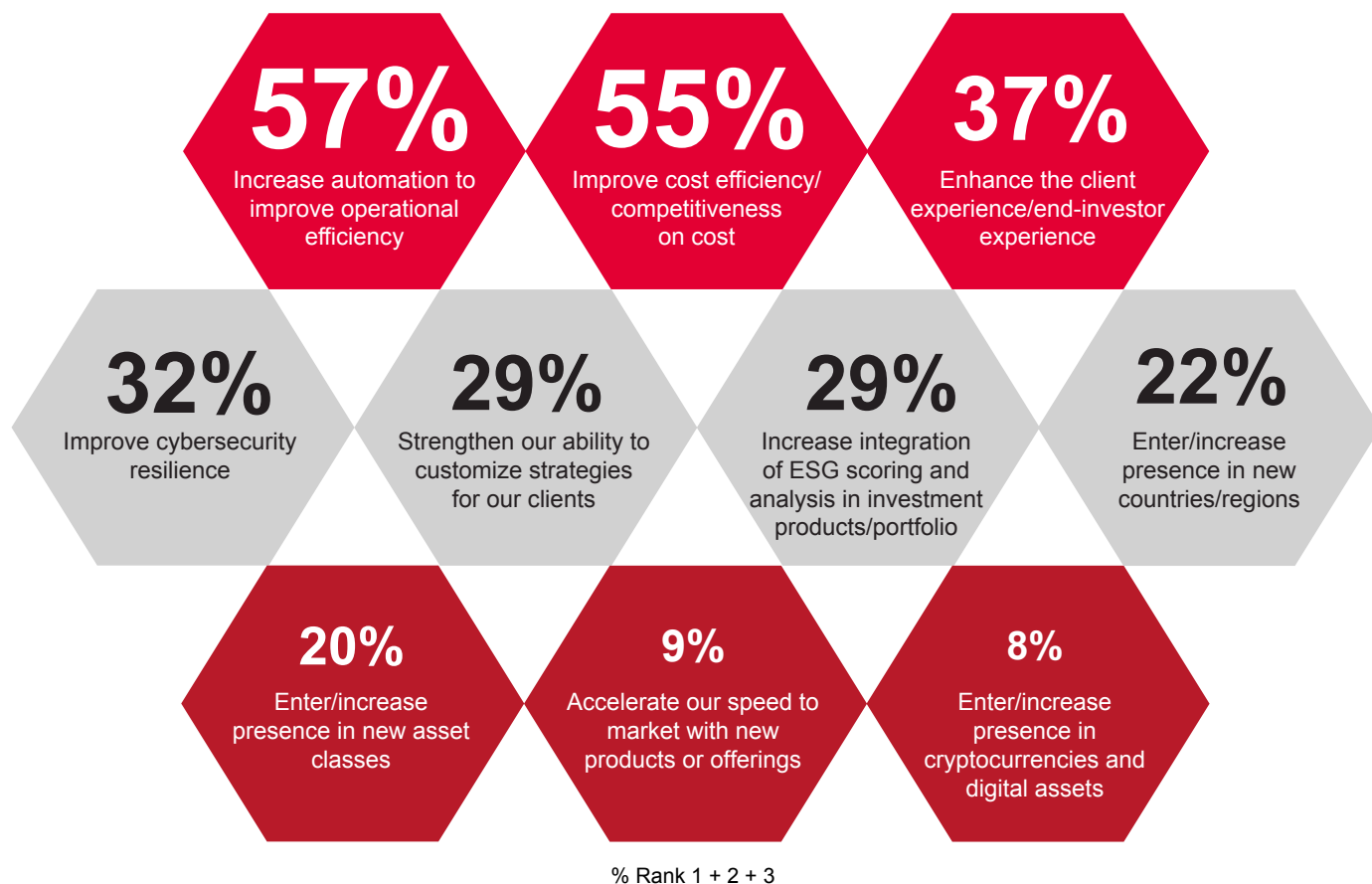
On the back of a challenging 2022 which saw falling markets and net outflows of assets, we see weak appetite among asset managers to enter new product areas, with just 20% making this a strategic priority for the next 12 months.

Instead, two issues dominate the short-term strategic agenda: operational efficiency and cost cutting initiatives, and a drive to differentiate on the client experience.

## Automation is at the heart of the efficiency drive

Nearly three-fifths (57%) of asset managers say increasing automation to improve operational efficiency is a top strategic priority for the next 12 months, while 55% are prioritizing cost-cutting initiatives.

**Figure 1. Top priorities to drive business growth and performance over the next 12 months**



Our trend data highlights the persistent challenge of realizing gains from operational efficiency projects, however, our trend data highlights the persistent challenge of realizing gains from operational efficiency efforts, also cited as a major strategic hurdle in both 2019 and 2021 Surveys.

There are multiple issues at play here. Firstly, the low-hanging fruit around automation is long gone, as many firms have already introduced tools to reduce manual intervention in more stable, repetitive processes across the organization.

Further, as managers seek to achieve more transformative digitalization, they need to integrate an ever-growing number of systems and data which demands interoperability and flexibility between existing systems – both old and new.

Best-in-class workflow tools and modern APIs (Application Programming Interfaces) – that can enable seamless integration between the dozens of applications within an asset manager’s ecosystem – are going to be key to achieving the next wave of efficiency gains the industry is looking for.

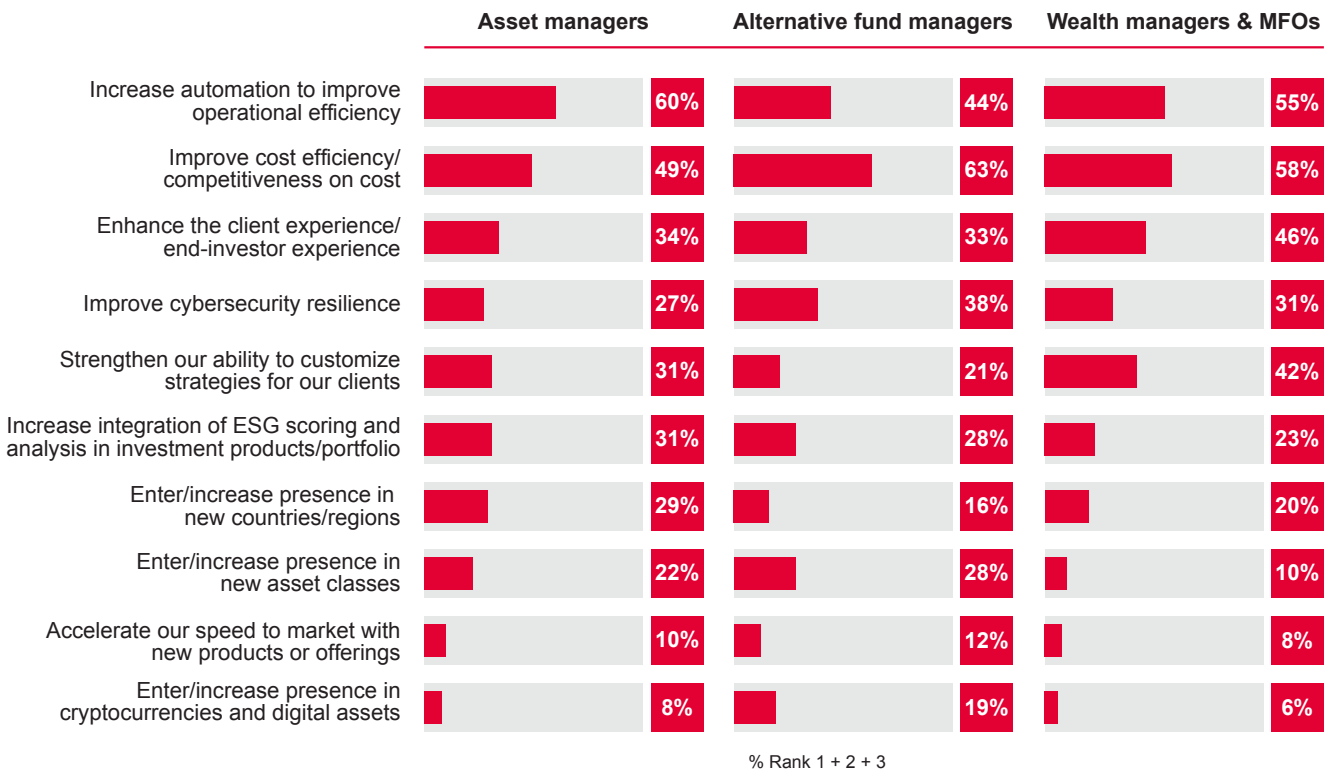


## **The client experience is a key competitive battleground**

Against a challenging market backdrop, asset managers are also increasing their focus on the client experience (37%) as a way to differentiate their offerings. This has risen up the strategic agenda since our 2021 survey, where only 7% of respondents felt that their client servicing capabilities were a key point of differentiation versus their competitors.

This priority is especially prevalent among wealth managers in our survey (46%), where there is an acute pressure to meet the needs of younger, digital native investors who expect information and guidance to be available on demand, and increasingly want to see data that goes beyond performance – such as understanding the ESG impact of their investments.

## Figure 2. Top priorities to drive business growth and performance by firm type



Firms' data and analytics capabilities will determine whether they can stand out among their peers. This means digitizing processes to streamline and simplify communication with end clients, but also embedding faster, more responsive software frameworks that can allow portfolio managers to drill down into account-level and security-level data at will.

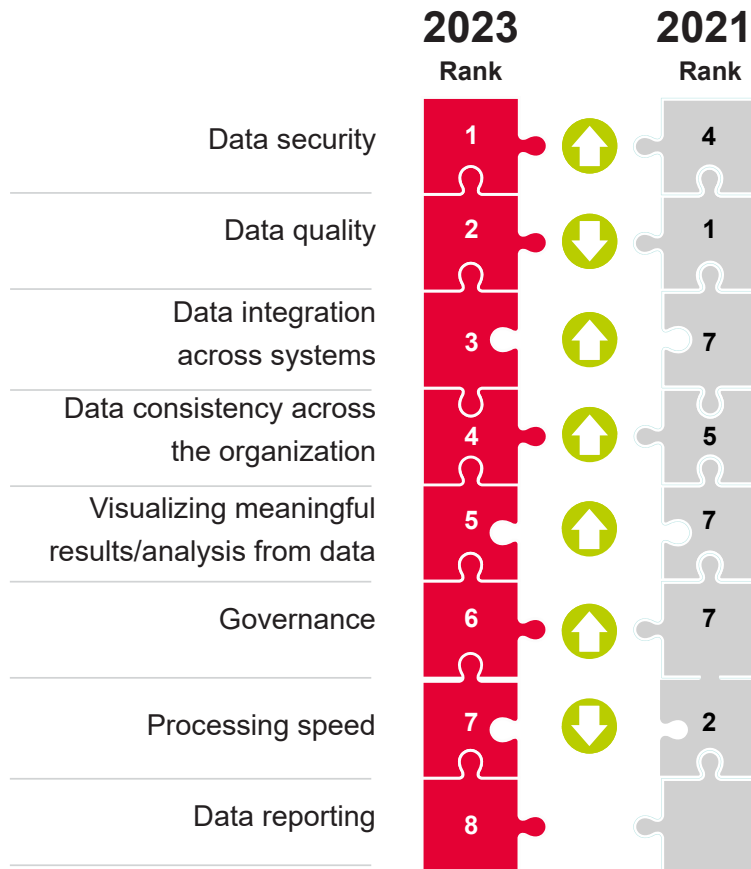


## 2. Current data models are holding firms back

As operational efficiency becomes increasingly central for asset managers' competitiveness on everything from cost to the client experience to investment performance, our research identifies key aspects of data management that are acting as a drag on progress.

This year's survey finds that the ability to integrate data across different systems and applications has shifted from the seventh biggest data management challenge in 2021, up to the third biggest challenge today.

**Figure 3. Biggest data management challenges**

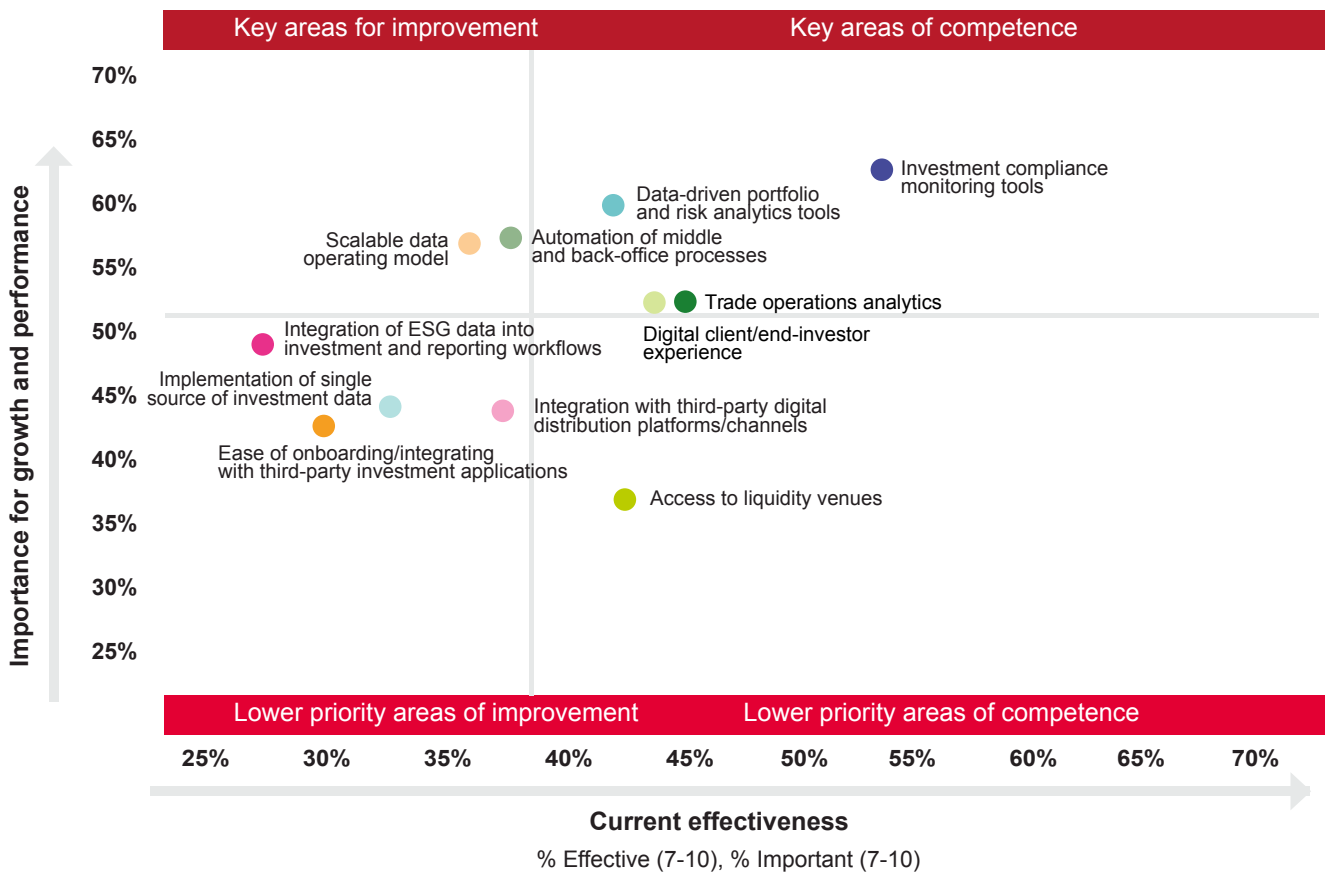




And our operations gap analysis<sup>1</sup> identifies the scalability of data infrastructure as a key area for improvement to support firms' growth and competitiveness over the next 12 months. A flexible data foundation that can quickly scale workloads and processing capacity is pivotal to supporting growth strategies, such as new product launches, but also in responding to rising compliance and regulatory demands.

Nearly three-fifths (56%) of asset managers rated this capability as highly important for business growth and performance over the next 12 months, yet just 36% rate themselves as being highly effective in this area today.

**Figure 4. Effectiveness of current technology/operations versus importance for business performance**



<sup>1</sup>Our gap analysis is based on executives rating the importance of operational capabilities for supporting their firm's growth and performance versus their current level of effectiveness across these attributes.



### **3. Risk management and compliance are priority areas for tech spending**

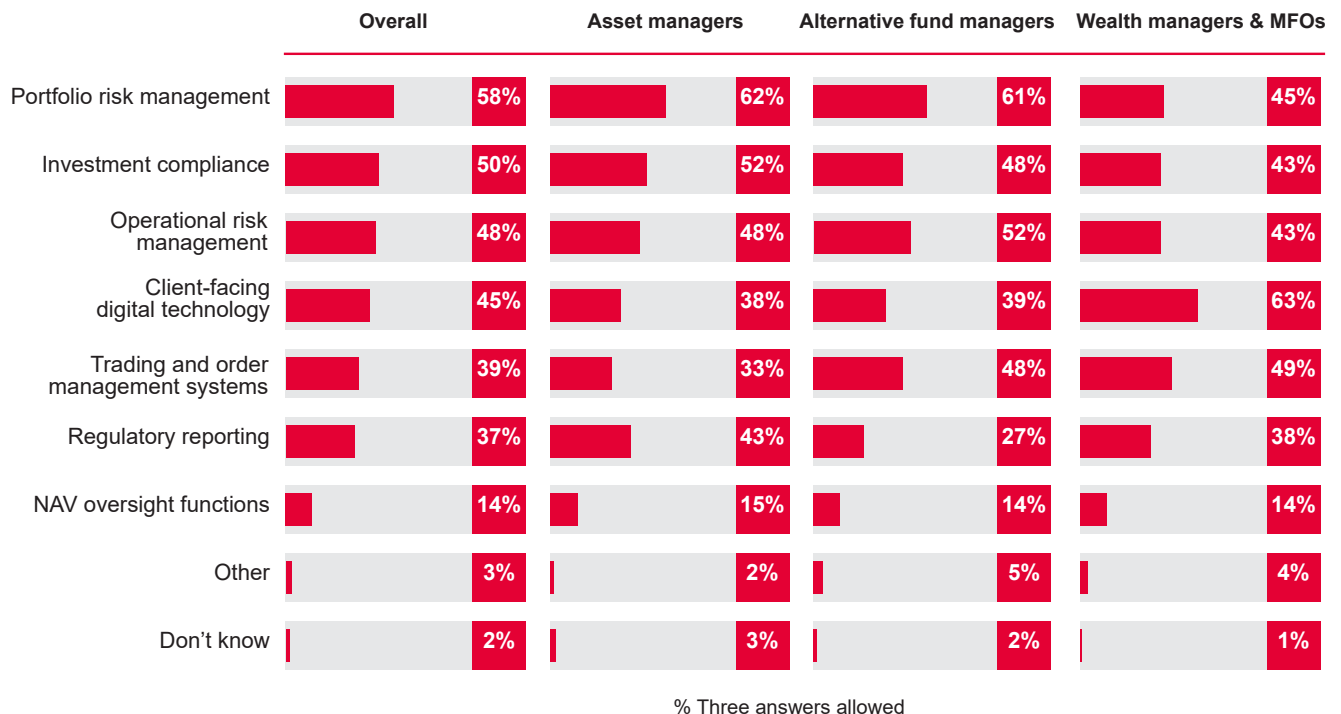
---

Asset managers are facing a difficult balancing act with their technology budgets. They need to cut costs across the organization to protect profitability while continuing to invest in the areas of digital transformation that will support long-term growth and value.

#### **Non-alpha generating functions are tying up budgets**

In the short-term, however, we see that investment compliance and operational risk management – two critical but non-alpha generating functions – are swallowing up a big proportion of technology spending. Half of respondents say investment compliance will be one of the functions attracting the greatest share of IT spend over the next 12 months, and 48% say this about operational risk management: (Fig. 5).

## Figure 5. Functions that will receive highest proportion of IT spending



As managers think about cost transformation in these areas, one strategy they can turn to is hosting and cloud adoption, which will allow them to leave operational problem-solving to other experts so they can focus more resources on growth-related initiatives.

AI-powered analytics tools should also play an increasing role in the efficient functioning of operational risk management. The most sophisticated of these solutions are capable of drawing from a combination of client and external data to assess historical patterns and provide easy-to-digest predictive intelligence. The result is that investment operations teams are alerted to potential operational risks across the middle and back office in real-time.



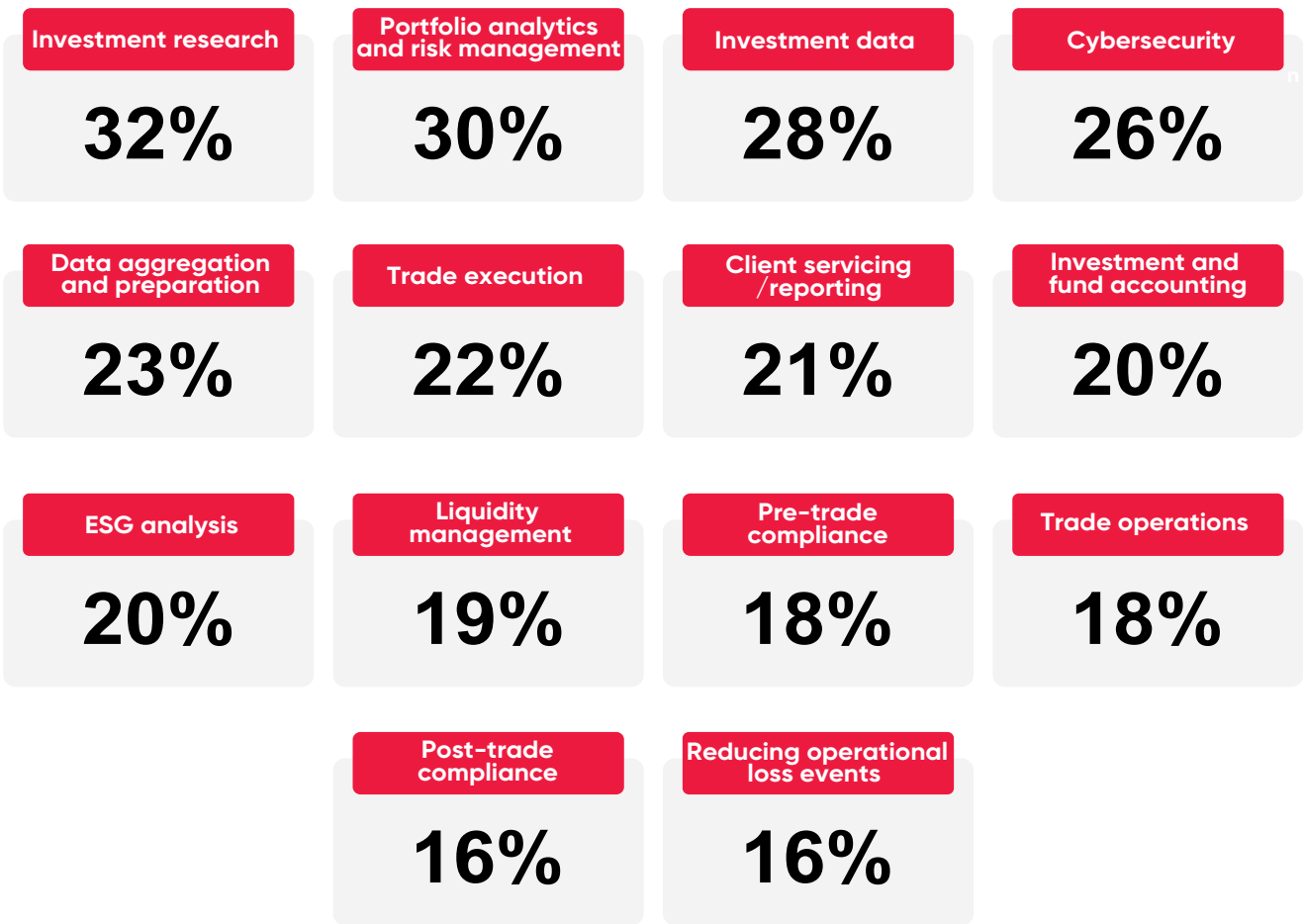
## 4. Asset managers need to embrace the AI revolution in the middle and back office

---

AI has long been framed as a technology for the future in the asset management industry, but recent developments in generative AI indicate that transformative, practical applications will be upon us sooner than many predicted.

Our survey results paint an interesting picture of current AI adoption. Around a third of the industry has introduced AI tools in the front office, to support investment research (32%) and portfolio analytics (30%), but take-up has been slow across middle and back-office functions.

**Figure 6. Areas where AI has been deployed**



%Yes

The challenges of deploying AI within these functions are not insignificant, as it requires the ability to combine deep investment operations knowledge with AI expertise – and buy-in across multiple functional areas. These factors go some way to explaining why firms have been slow to introduce AI tools in their middle and back-office systems and processes.

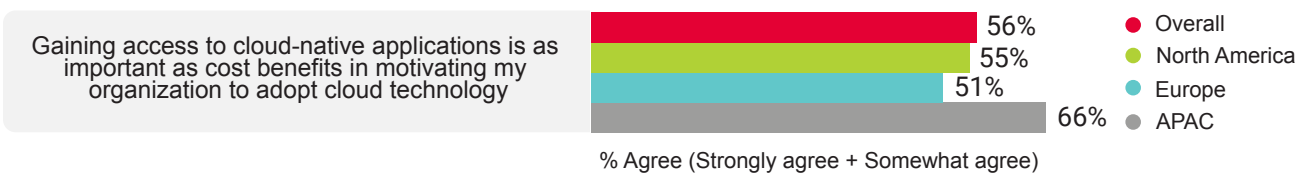
However, as the potential utility of generative AI becomes better understood, with huge promise already being identified for middle office operations, including portfolio compliance and reconciliation, asset managers find themselves at a critical juncture – and inaction could be fatal to their future competitiveness.



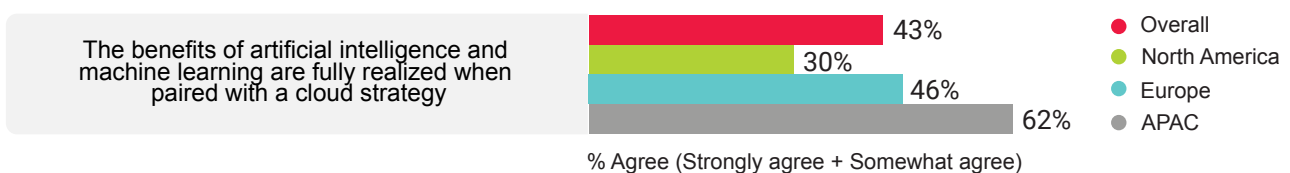
# 5. Cloud-native solutions are prized in a fast-changing landscape

The pace of development in areas such as AI is placing substantial new demands on asset managers' technology infrastructure. It has become a competitive necessity to embrace these solutions, but they require significant computing power, as well as the agility to quickly experiment with different tools – and switch to better solutions as they come along.

This is influencing the way that firms are thinking about their cloud strategy. For instance, a majority of asset managers now say that gaining access to cloud-native applications is just as important as cost benefits when they consider migrating systems to the cloud.



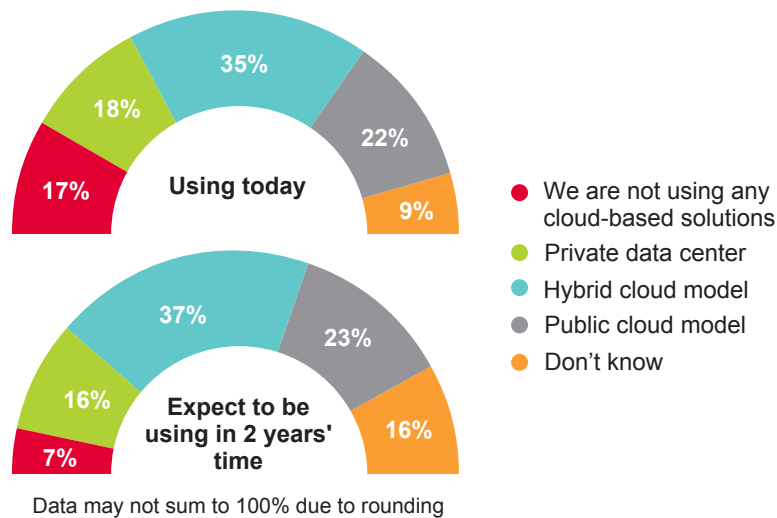
Further, more than two-fifths (43%) of managers think that gains from AI can only be fully realized if AI adoption is supported with a cloud strategy. This rises to 62% among respondents in Asia.



Against this backdrop, our trend data shows that cloud is becoming ubiquitous across the industry: 74% of asset managers are now using cloud, up from 66% in 2021 (a 12% increase over two years). And respondents' forecasts indicate that this will rise further, up to 76%, over the next two years.

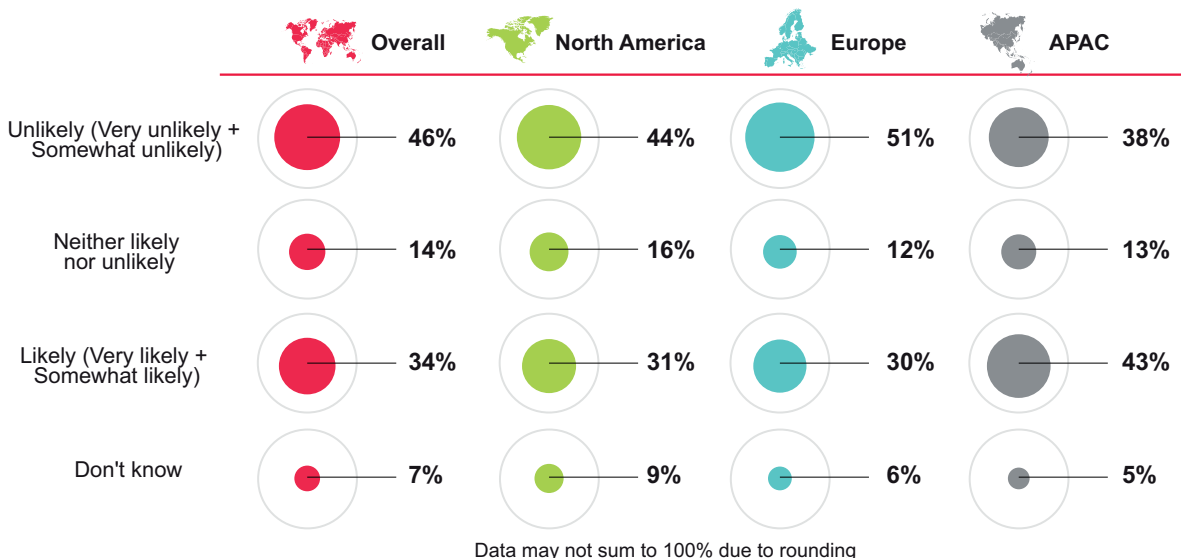
The question for managers to consider now is which cloud model will best fit their business needs and support future-proofing. Our survey shows that a range of approaches are still in use, with only marginal shifts towards hybrid and public cloud expected over the next two years.

**Figure 7. Primary cloud models being deployed**



Over the long-term, however, more than a third (34%) of firms expect to migrate their entire technology stack to the public cloud, rising to 43% of firms in Asia.

**Figure 8. Likelihood of migrating entire technology stack to public cloud**



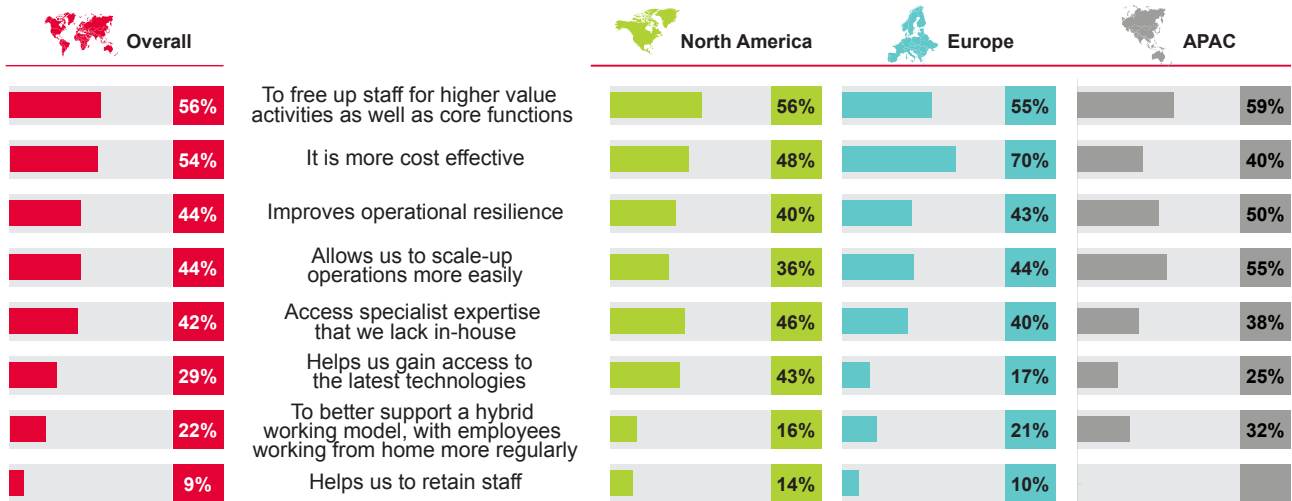


# 6. Outsourcing norms move beyond cybersecurity and IT infrastructure

Against a backdrop of accelerated digital transformation, rising cyber threats and ever-growing compliance demands, we see that outsourcing strategy is moving beyond a cost and resourcing play.

In North America, for example, more than two-fifths of firms say that gaining access to expertise and cutting-edge technologies that are difficult to procure in-house are key motivations for outsourcing. While in Asia, 55% of firms say outsourcing is a core strategy for scaling operations to support their growth agenda.

**Figure 9. Drivers for outsourcing decisions**



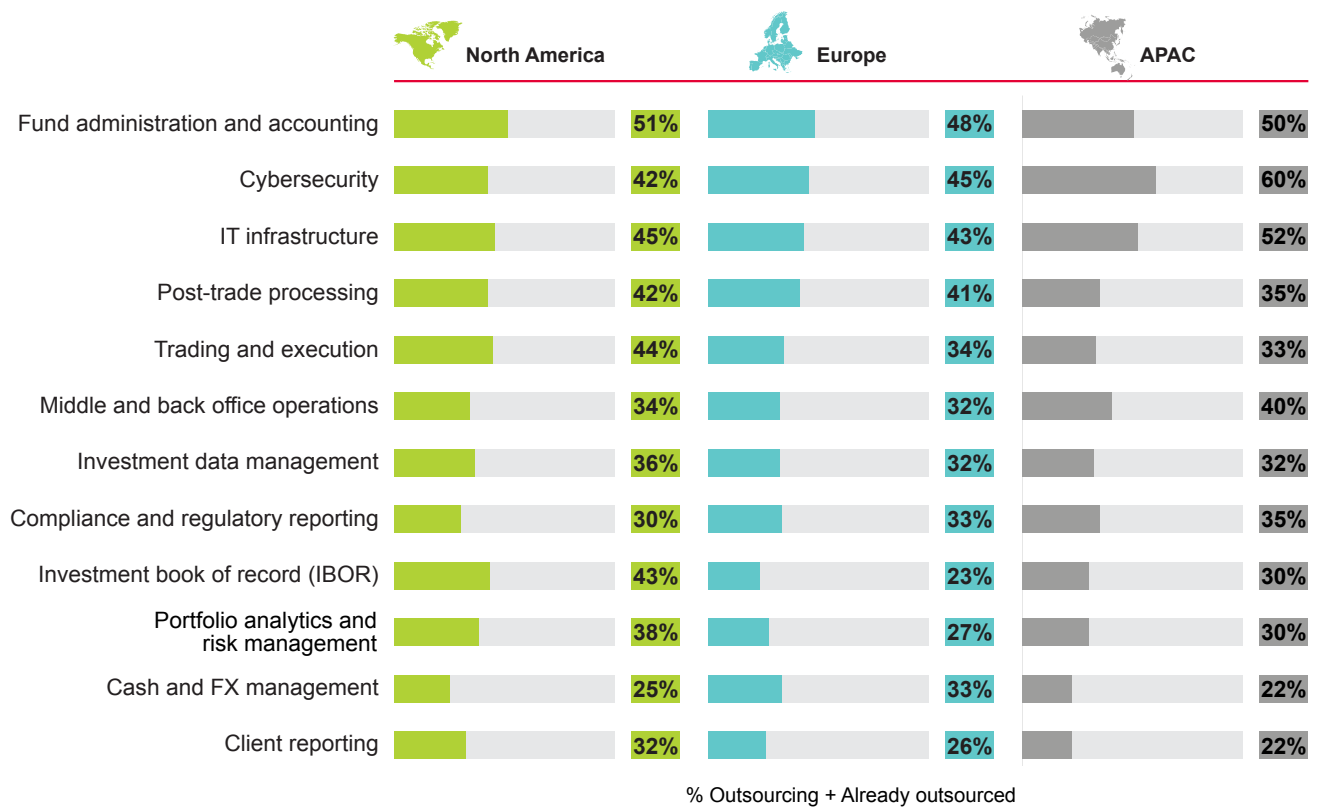
% Rank 1 + 2 + 3



Cybersecurity is a key example of this. Firms have both a regulatory and a fiduciary duty to protect their own and their clients' data. But for most firms, procuring the necessary talent, expertise and technology in-house is difficult if not impossible.

Our survey results show that across regions, asset managers are shifting towards outsourced cybersecurity solutions.

**Figure 10. Where operations are being outsourced**



Geopolitical shifts, and the money to be made by ransomware events, means that the threat levels continue to increase, with accompanying regulatory pressure. And firms need to ensure they have best-in-class capabilities in areas such as endpoint detection, threat scanning and remediation.

By turning to outsourcing and managed services, asset managers can avoid the complexity and cost associated with deploying these solutions themselves – and focus their capital and resources on strategic priorities.

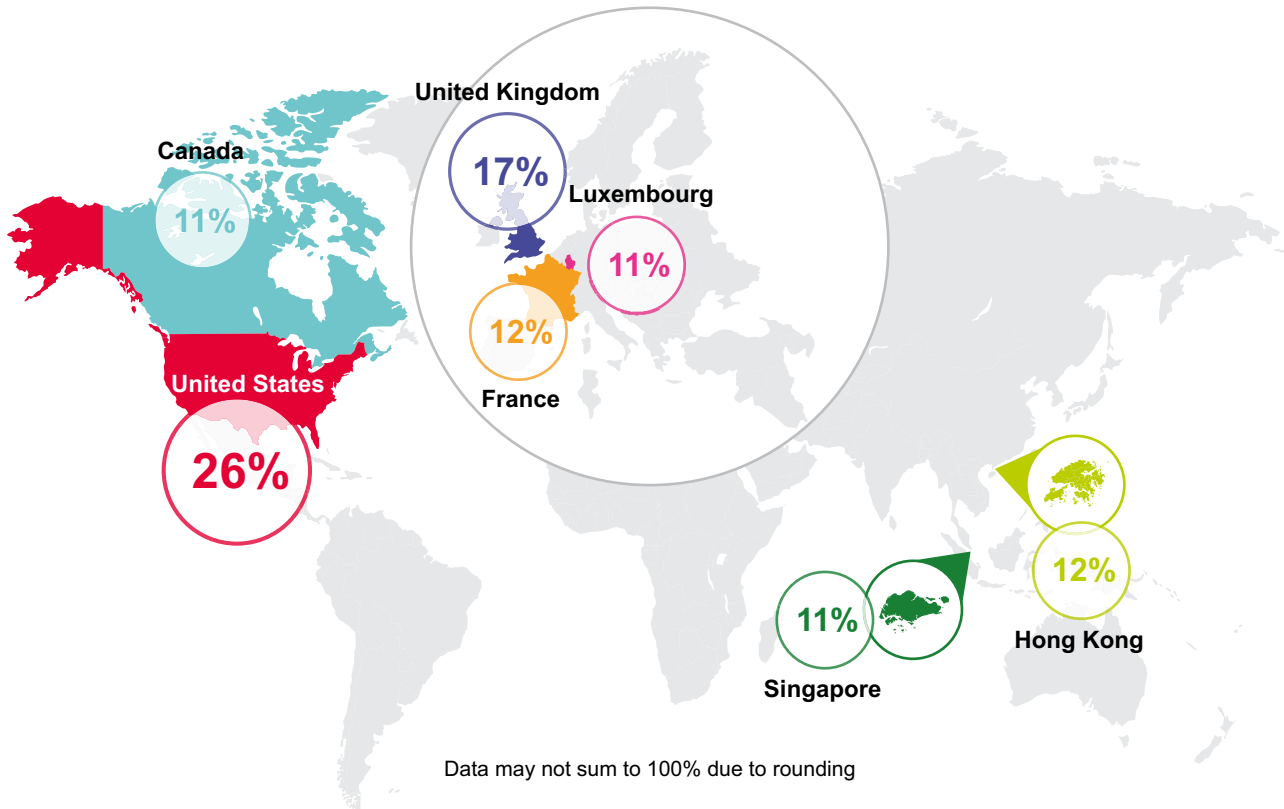


# About the research

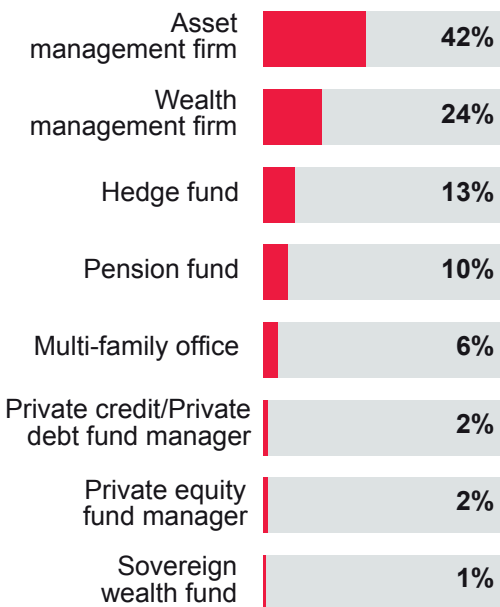
This is the 11th edition of Linedata's Global Asset Management Survey, a study that tracks how the industry is adapting its technology and operations to support growth and performance.

We partnered with CoreData to survey 265 senior decision-makers from buy-side institutions across North America, Europe and Asia during Q1 2023.

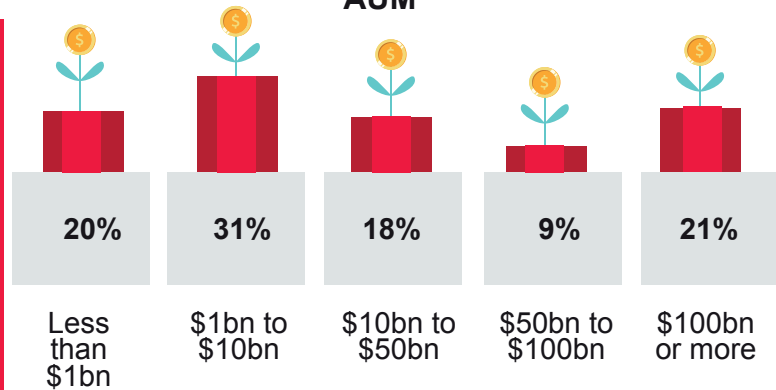
# Survey demographics



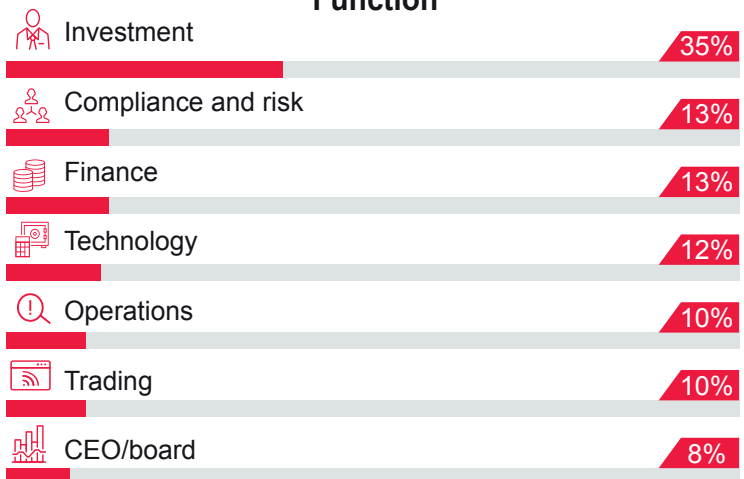
## Organization type



## AUM



## Function



Data may not sum to 100% due to rounding



## ABOUT LINEDATA

At Linedata, 700 clients and 5 of the top 10 largest global managers trust our software to power their investment operations every day.

We bring 25 years of experience to providing all our clients with a robust, configurable platform of software, data and services that enable you to grow, operate efficiently, manage change, and provide excellent service to your clients and stakeholders.

**Reimagine your operations. Transform how you do business.**

**1100**  
employees

**20**  
global offices

Clients in  
**50**  
countries

Celebrating  
**25**  
Years in 2023

[www.linedata.com](http://www.linedata.com) | [contact us](#)