White paper

The Data Management Maturity Model

Your guide to best practice data management.

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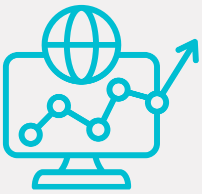
Contents

INTRODUCTION

Investment management is a complex, high-pressure environment. Markets are volatile, competition is intense, and legislation in many jurisdictions continues to develop, and customer expectations are increasing. Traditional business models are being challenged by low-cost investment products powered by technology.



While the industry changes, investment remains fundamentally about confidence - from individuals placing their hard-earned savings into a fund, right through to the analysts and managers driving investment portfolios.

Knowing that people are making good decisions based on clear and accurate data builds confidence.

Data is proliferating at a compound rate, emphasising how vital data management is to a fund's success. According to the World Economic Forum Report in 2020, the total amount of data created, captured, copied and consumed in the world was **59 zettabytes (ZB),** the equivalent of 59 trillion gigabytes (1).

1 The world's data explained: how much we're producing and where it's all stored, World Economic Forum https://www.weforum.org/agenda/2021/05/world-data-produced-stored-global-gb-tb-zb/

Importance of data management

The more data a business has, the more complex it becomes, making data management critical. A 2019 Accenture Report found that:

> **66 percent** of asset managers say that data management is the area of their business most in need of total disruption. (2)

AlphaCert regularly hears investment managers talking about being data-driven. They acknowledge that data is essential because it:

- informs all levels of decision-making
- is required to justify investment decisions
- is critical for every team in the business – front, middle and back office.

Conversely, poor data management has the potential to increase operational risk and lead to significantly more validating and checking of data.

Reasons for the increased focus on good data management include:

- Growing recognition of the pitfalls of spreadsheets
- Increasing complexity of asset classes and investment vehicles means there is a greater range of data sources to integrate
- Changing regulatory and investor reporting requirements, e.g. ESG and Portfolio Holdings Disclosure
- Increasing M&A activity in the superannuation industry is highlighting the need for improved data management

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2 Reinventing operations in asset management, Accenture
https://www.accenture.com/us-en/insights/capital-markets/asset-management-reinventing-operations

Success in the 21st century is defined by a company's ability to tap into the power of data to derive new insights into their market and maintain a competitive edge. Still, many businesses are struggling when it comes to becoming data-driven. Making use of a dizzying maelstrom of data is no easy feat, and you need a solid IT team on your side if you want your organisation to succeed.

In our previous eBook, *Investing in the Future (3)*, we looked at what enterprise data management (EDM) best practice looks like for the investment management sector.

The data management maturity model

For many investment management organisations, the gap between where they are now, and best practice can be daunting and overwhelming.
Two questions that keep on coming up in our conversations across the sector are:

- "How are we doing?"; and
- "What should we do next?"

This motivated AlphaCert to create a data management maturity model (DM3) to help organisations answer these questions and to decide where to invest the time, money, and energy so that data management best supports the organisation's objectives.

The AlphaCert DM3 was developed specifically for the investment management sector. This Model contains five categories and four levels explicitly designed for the industry.

One day Alice came to a fork in the road and saw a Cheshire cat in a tree.

"Which road do I take?" she asked.
"Where do you want to go?" was his response.
"I don't know", Alice answered.
Then, said the cat, "it doesn't matter."

- Lewis Carroll from Alice in Wonderland

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3 Investing in the future: Best practice for enterprise data management, AlphaCert, https://insights.alphacertlabs.com/enterprise-data-management-ebook

Levels of maturity

01 Beginning: Not much is happening [Basic]

Starting out, organisations often lack an appropriate mindset and don't treat their data with the respect it deserves. Data is tightly coupled with applications, with limited capacity for internal sharing due to a lack of data strategy, architecture, delivery or risk management.

02 Transitioning: Making progress [Developing]

The organisation recognises the value of its data as an asset. It begins to decouple data from applications and develop a data-product mindset through a business vision and data strategy.

03 Maturing: Building momentum [Evolving]

The organisation proves the value of its metrics and data-driven methods; it standardises its tools, templates and methods to create an essential foothold as a data business.

04 Data leader: Everything is humming [Mature]

The organisation builds well-defined and automated methods for developing its data products, establishes a well-structured data product catalogue, and provides self-service capabilities across the organisation.

Data is transformed into an independent, digital asset for the business and expands its use out into the connected ecosystem. Data is treated as a valuable business asset and drives optimal business outcomes.

Data maturity levels

Beginning	**Not much is happening**	Lack an appropriate data mindset. Data is tightly coupled with applications, with limited capacity for internal sharing due to a lack of data strategy.
Transitioning	**Making progress [developing]**	Recognises the value of data. Beginning to decouple data from applications and develop a data-product mindset through a data strategy.
Maturing	**Building momentum [Evolving]**	The organisation proves the value of its metrics and data-driven methods; it standardises its tools, templates and methods to create an essential foothold as a data business.
Data Leader	**Everything is humming [Mature]**	Data is treated as a valuable business asset and drives optimal business outcomes. There are well-defined and automated methods for developing data and providing self-service capabilities.

Categories

The Model is divided into five categories. These categories are the focus areas critical to effective data management for any fund businesses.

Quality and integrity:
The accuracy, completeness, consistency and reliability of data and whether it's up to date

Architecture:
What tools and processes are being used to capture, store and deliver data

Availability and usage:
Drawing insights from data

Policies and processes:
Standards, processes, and policies

People:
Capability and capacity

Using the data management maturity model

Data management is an evolutionary process, and investment managers can systematically use the Model to plan their evolution.

The Model can also help companies determine what level is appropriate for the business – and how and when to move to the next level.

Assess

The first step is to assess your organisation's current state of data management maturity. Talk to subject matter experts and stakeholders to identify and document your current level of maturity for each category. This is your baseline maturity. You will likely be at different maturity levels for each of the Model's categories, as shown in the diagram below.

Example assessment

	1 BEGINNING	2 TRANSITIONING	3 MATURING	4 DATA LEADER
Quality & Integrity				
Architecture				
Available & Usage				
Policies & Processes				
People				

Plan

Work out what you want to achieve in the next, say, 12 months.
Then, working with the data maturity model, plan the required improvements to reach the level of maturity your organisation needs.

This is your data maturity roadmap. Don't bite off too much, especially early in the process. Align your data management maturity activities with your overall data and corporate strategies.

Execute

Execute the planned activities. Remember, you are not trying to achieve Level 4 immediately. Focus on the agreed roadmap.

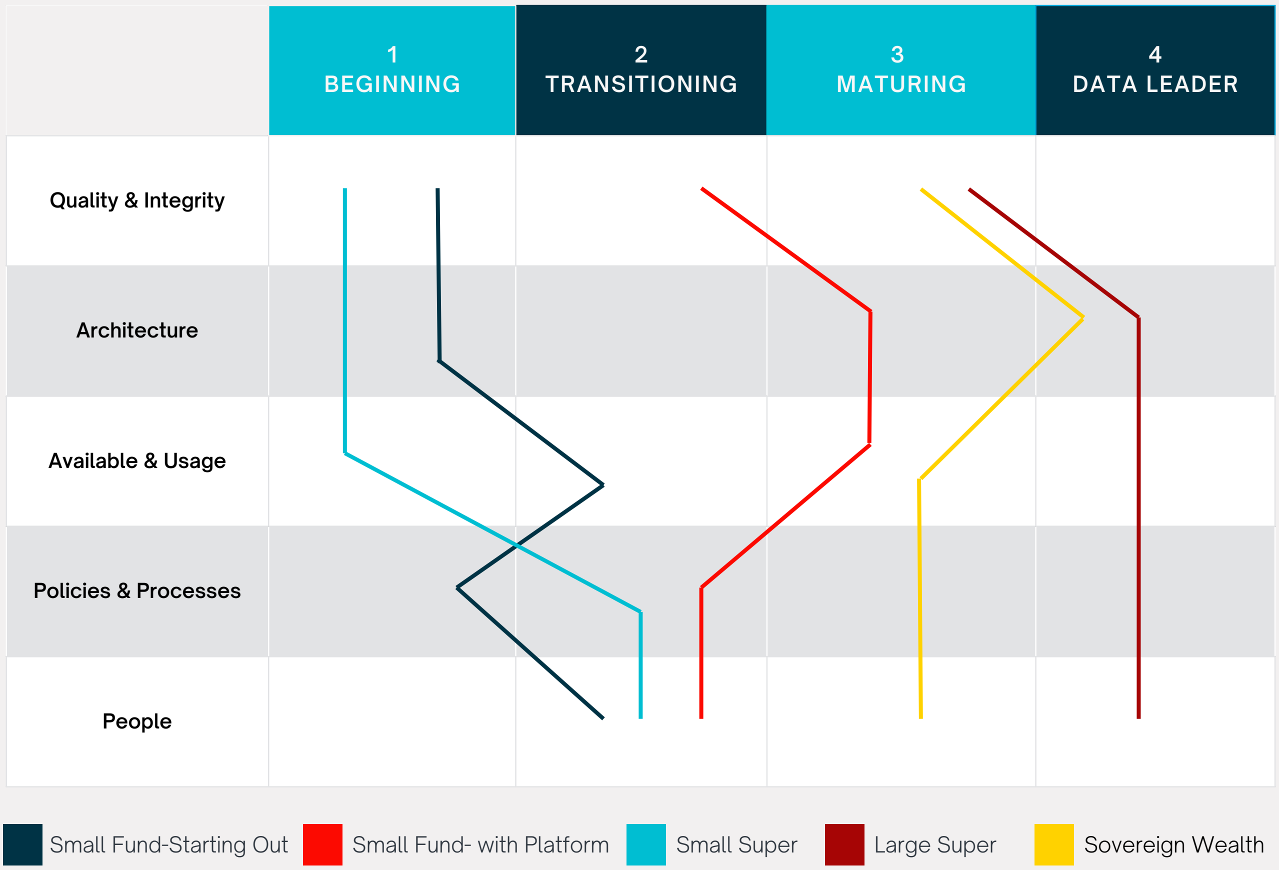
Repeat

At the end of the period, repeat the assessment to track data management maturity improvements and trends over time.

Some examples

AlphaCert has applied the data management maturity model to several of our customers and we have plotted the results on the chart below.

Typical data maturity levels of different types of funds



Our observations from this exercise include:

- The size of the organisation dictates the resources that it can dedicate to the people, processes, and technology, resulting in a good level of data management maturity for larger organisations.
- Any large funds sitting in the beginning or transitioning space should be developing data management initiatives immediately.
- Smaller funds can make significant gains in their data management maturity level by implementing a data platform across their enterprise.

Benefits of the data management maturity model

The data management maturity model provides a framework for investment managers to become data leaders. This can lead to the following business benefits:

- Assist your organisation in developing a roadmap and prioritising initiatives
- Track progress of your data management initiatives over time
- Provide a common language for communicating with the Board and Executive
- Benchmark your data management maturity against other investment managers

> **To be mature you have to realise what you value most.**
>
> *- Eleanor Roosevelt*

Getting started

With the AlphaCert data management maturity model, executives and the board can decide the level of maturity appropriate for their organisation to be on each dimension and measure the actual maturity of each dimension.

The Model can then be used to support organisational change, including identifying actions for improvement and evaluating the effectiveness and efficiency of these actions.

If you'd like to learn more about how AlphaCert can help your investment management business, get in touch for a personalised demo.

Schedule a demo