GLOBAL ADVISORY SERVICES

Broadridge®

The new competitive calculus:

Winning with data-driven strategy

COMPETING SUCCESSFULLY IN TODAY'S ENVIRONMENT

Most recent reviews of the global asset management industry focus on the mounting challenges to its industrial model: fee pressure, slowing growth, increased regulation, complicated client needs.

All these trends underscore the fact that too many asset managers compete in a similar fashion within a wholesale distribution model that increasingly positions their brands further away from end users. In reality, however, changes in the environment are creating a number of unmet needs, all of which are opportunities for a subset of asset managers to innovate and reposition themselves for growth. This will require greater competition, with asset managers taking steps to differentiate themselves dramatically enough to take business from rivals. Our analyses show this is starting to take place.

Successful competition in asset management has many characteristics and components, but primarily it requires two things: data to define and measure the firm's decisive competitive advantages, and a strategy to deploy them effectively. This paper explores how firms can use the former to build the latter.

IN THIS WHITEPAPER

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SUMMARY

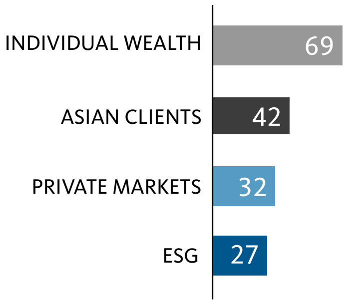
Total industry organic growth—net new flows compared to existing assets under management—will slow from 3.9% compounded annually during the last decade to 1.7% for the next 10 years, further underscoring the oversupply of vendors and challenging the market share of current incumbents reliant on outmoded capabilities and plateauing markets.

Opportunities will be driven by shifts in demand for different capabilities from different clients, from:

- Institutions to individuals
- US and European buyers toward those in Asia Pacific, especially China
- Public to private markets
- Broad to thematic investment strategies, with the largest visible shift so far involving investments that at least consider, if not emphasize, environment, social and governance (ESG) factors

NEW MARKETS IN A NEW WORLD

Share of global asset management organic growth, 2021-2031 (%)



Source: Broadridge Global Market Intelligence, Broadridge Insights.

64% of the industry's estimated organic growth since 2016 was concentrated within 74 firms

This degree of change plus slowing market and organic growth is setting the stage for a new era of competition in global asset management, dividing asset management firms worldwide into three categories, two of which have been highly competitive:

- **Expanding incumbents**, players who have successfully adapted to maintain a commanding market share.
- **Innovative challengers**, who have leveraged specific competitive advantages to grow rapidly vis-à-vis peers.
- Finally, **weaker competitors**—about 90% of asset management firms—who haven't been able to break out of their weaker competitive positions, and consequently have tumbled down league tables.

Stronger competitors—the expanding incumbents and innovative challengers—represent 64% of the industry's estimated organic growth during the five years ending 2021. They are succeeding across four dimensions of competition by being:

1. Faster at product development
2. Better at distribution
3. More flexible at delivery
4. Stronger at brand building

Successful competitors in asset management will use various methods to change into either incumbents or challengers, but all these strategies will share:

- Diagnostic elements that precisely target where to build, where to partner and where to pass.
- Decision-making elements focused on resources that help unlock threshold effects.
- Driving elements to build the best next version of the firm.

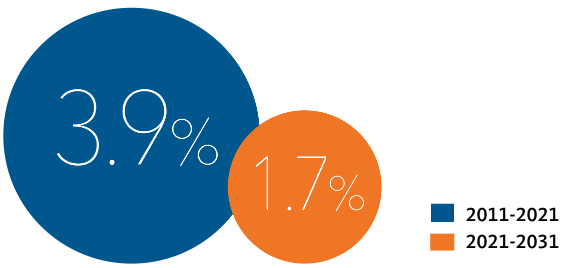
CHAPTER 1: THE NEW MAP FOR ORGANIC GROWTH

Organic growth—net new money to manage—is the principal variable within an asset management operation's enterprise value. Among quoted companies, strong organic growth, and revenues associated with it, traditionally correlates to outsized price-to-earnings multiples. And organic growth becomes even more valuable when capital appreciation dries up, a fact made painfully obvious in a bear market.

Overall industry organic growth is slowing, as asset managers run out of new worlds to conquer. Most large asset pools are under some form of professional management. The industry-wide 3.9% compound annual organic growth rate (organic CAGR) in assets for the decade ending 2021 will likely slow to 1.7% for the next ten years, and slump further if macroeconomic conditions remain volatile or worsen, leading investors of all stripes to seek liquidity through redemptions.

THE INDUSTRY'S OVERALL ORGANIC GROWTH WILL FURTHER SLOW IN THE NEXT DECADE

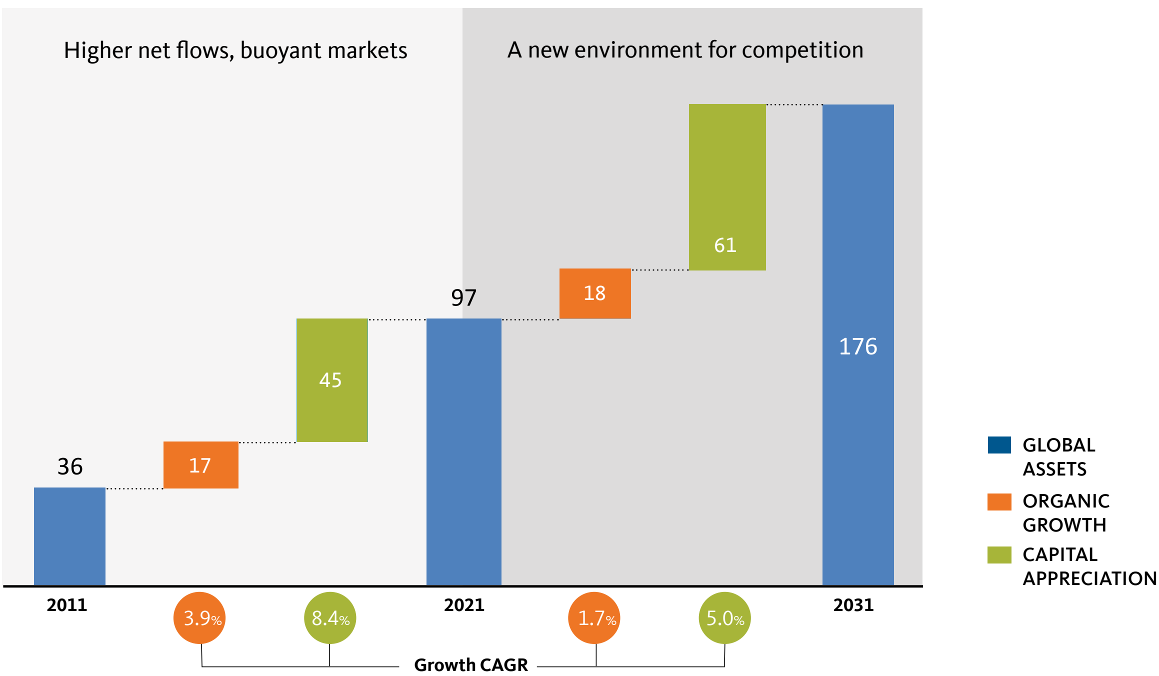
Compound annual organic growth rate



Yet the headline organic growth rate masks opportunity beneath. Three powerful secular forces are reshaping the industry's composition, shifting significant assets into new products and capabilities at the expense of those on which most current market leaders have built their businesses.

- **NEW INVESTMENT USE CASES.** As a 40-year market supercycle—characterized by low inflation, easy central liquidity and increasingly global cash flows—appears to pause (if not end), investors in all channels are now seeking new objectives within their portfolios. Inflation, capital preservation, income and volatility management are now portfolio objectives as equally sought as appreciation. Outcomes also become more complicated as investors measure success against more holistic financial objectives (e.g., tax-aware) or even more holistic benchmarks (e.g., tax-aware or environmental, social and governance (ESG) goals).

Global assets under management (US$ trillion)



Sources: Broadridge Global Market Intelligence, Broadridge Insights. Excludes funds of funds and money market funds.

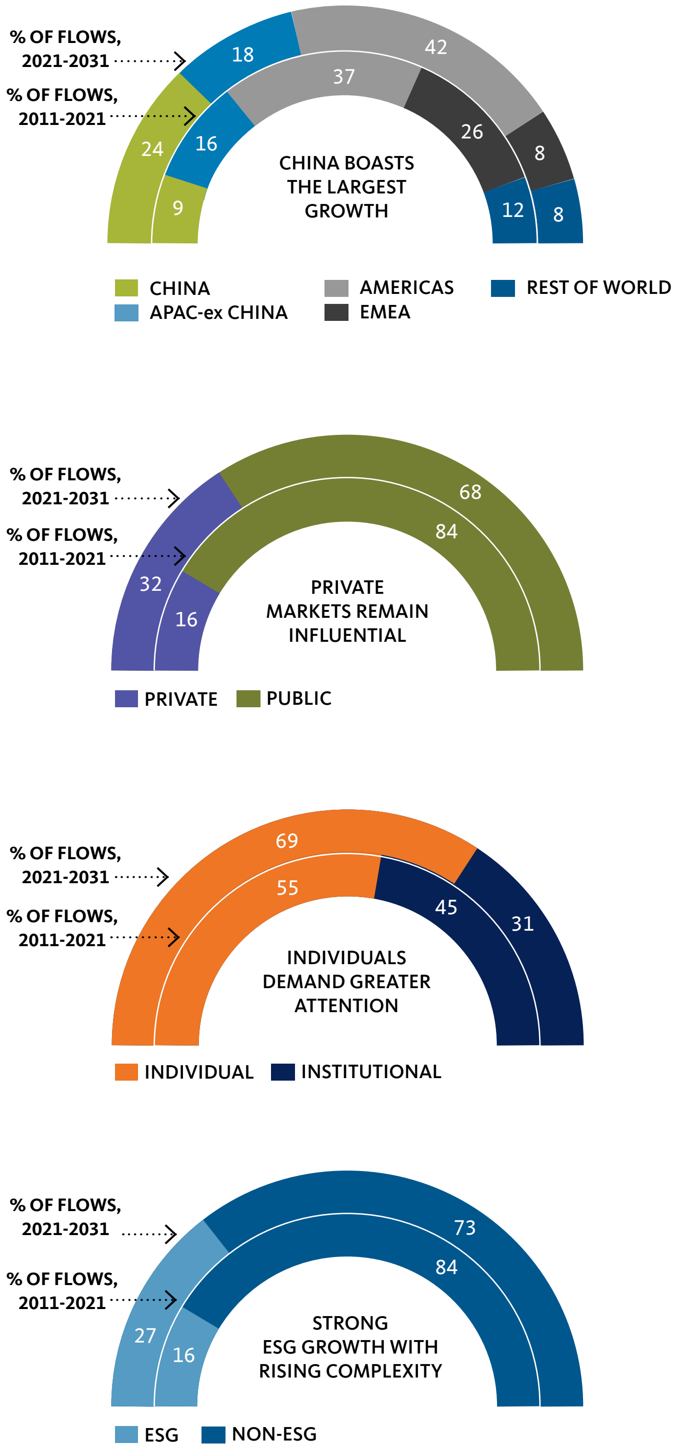
- SHIFTING CAPITAL MARKETS. These new investment use cases will benefit from a wider toolkit. Macroeconomic expansion and the capital reallocation triggered by the 2008 global financial crisis rearranged the geography of liquidity pools. Additionally (aside from a brief hiccup during the recent pandemic), enterprises steadily seek less capital, and at later stages in development, from public markets, instead turning more to financial sponsors and private investors. Both technology and innovation among global exchanges are creating a wider spectrum of capital-raising forums. All of these trends are redefining sources and uses of capital. The same phenomenon—with more uncertainty and volatility at present—is shaping a third marketplace of digital assets, potentially connected by both traditional and decentralized financial networks.
- PERSONALIZATION. The asset management industry (along with all advice industries) already has benefited from governments putting further welfare funding obligations back on individuals and markets for decades. Technology has both armed and enabled those investors. Better informed, individual investors seek more specific outcomes from their portfolios. And new technologies—most recently characterized by direct indexing—can end-run collective schemes to allow more customized direct securities holdings within each individual's personal account. Asset managers will find themselves competing with intermediaries and other financial services firms to take credit for the personalization that meets an individual's specific needs.

These three secular changes manifest in different ways across the asset management industry, but perhaps most visibly in how assets are sloshing out of less relevant products and markets, and toward new clients and capabilities that benefit from these trends. Four of the most dramatic reflect shifts from:

- **The US and Europe toward Asia Pacific, especially China,** as these regional markets become the more powerful growth engines underlying overall headline organic expansion numbers.
- **Public to private (and decentralized) markets,** especially as technology and regulation slowly enable greater individual exposure to illiquid investments, through creative collective schemes and potentially tokenization.
- **Institutions to individuals,** as sovereign funds begin spending money on state initiatives, defined-benefit plans fade from many countries, and policies worldwide place long-term financial provision squarely on the shoulders of individuals—many of whom also will benefit from wealth transferred from the aging post-war baby boom generation.
- Finally, **from broad to thematic**, as individual investors seek to use their portfolios to meet other financial and non-financial objectives, with the broadest shift so far manifesting across ESG and impact-oriented investing.

NEW CLIENTS AND CAPABILITIES WILL BENEFIT FROM SECULAR CHANGES IN THE GLOBAL INDUSTRY

Share of global asset management 10-year flows (%)



Sources: Broadridge Global Market Intelligence, Broadridge Insights.
Notes: there are overlaps across four megatrend opportunities; "individuals" includes subadvisory; analysis excludes fund of funds and money market funds.

These shifts—long-term in nature and likely no surprise—further underscore two points:

- There are too many asset managers supplying the industry. Until now, organic growth across a wider range of products and markets, coupled with bull markets, has allowed more firms to accrue enterprise value without having to fight others for it.
- The moats around incumbents, narrow to begin with, are disappearing. Built on benchmark-oriented performance—necessary but not sufficient with an increasing array of investment needs—and legacy capabilities and clients, many larger asset managers are watching their market share and enterprise value stagnate or fall.

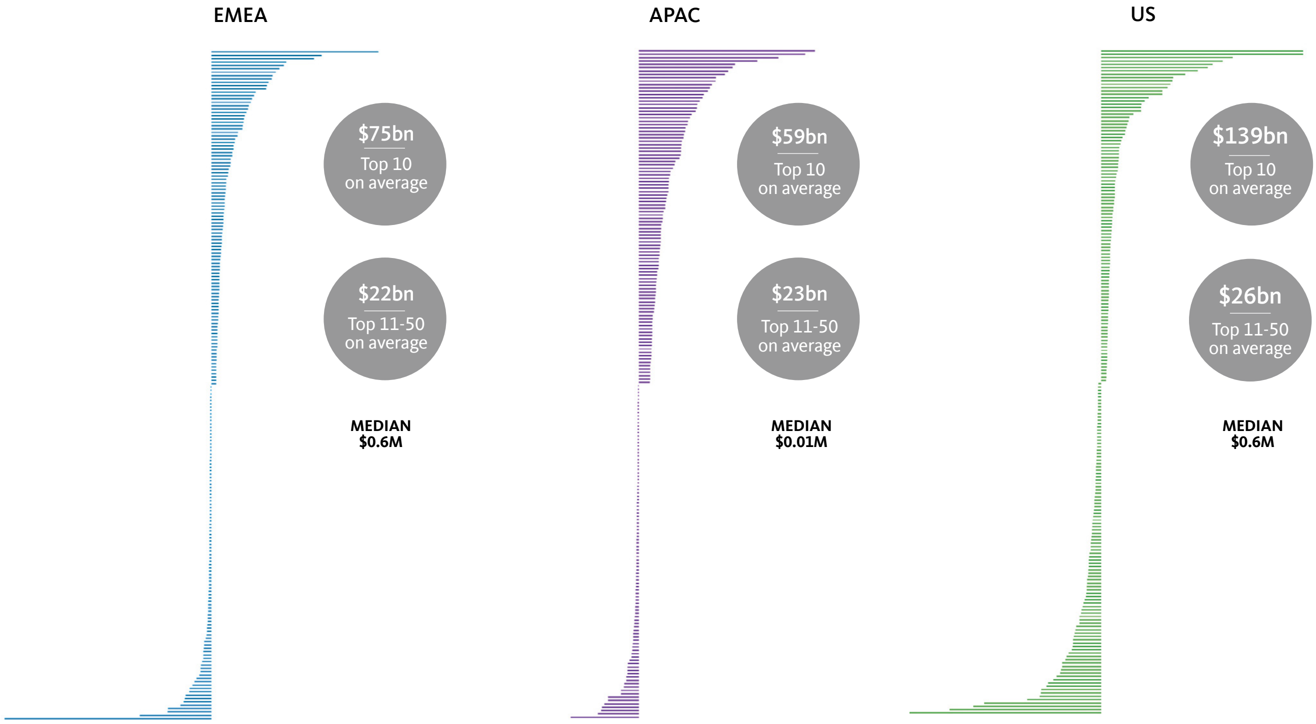
The following analysis reinforces the changing dynamic.

- 88% of asset managers competing in the space coasted during the five years ending 2021, neither gaining nor losing more than US$1 billion in assets through net sales or redemptions.
- Nearly 65% suffered net redemptions (i.e., negative organic growth).
- Most importantly, large firms could be found in both the winner and loser categories—indicating that some incumbents have navigated the shifts to new markets and products, while others remained handcuffed to shrinking legacy capabilities and clients.

The primary takeaway of this analysis is that growth will require asset management firms to access new opportunities through more active competition.

MEDIAN OUTCOMES MEAN TREADING WATER

5-year net flows by provider, 2021 (US$ billion)



Sources: Broadridge Global Market Intelligence, Broadridge Insights.
Notes: Includes both retail and institutional flows, active only, excludes MMF.

CHAPTER 2: INCREASINGLY DIVERGENT WINNERS AND LOSERS

While peer rivalry may not be new to the asset management industry, there are some signs that competition between asset managers has been increasing since 2016.

Assets under management (AUM) is an inexact metric of success for asset management firms, as it lacks the economic multipliers that equate to enterprise value—two firms with equal AUM could have wildly different valuations. But it is the most prevalent and transparent metric in the industry, permitting the highest number of comparisons. That's important because while almost all firms grew in absolute terms, thanks to strong market appreciation, examining how firms grew relative to one another reveals three increasingly distinct classes of industry competitors.

The two most competitive categories of the three account for 64% of the industry's estimated organic growth:

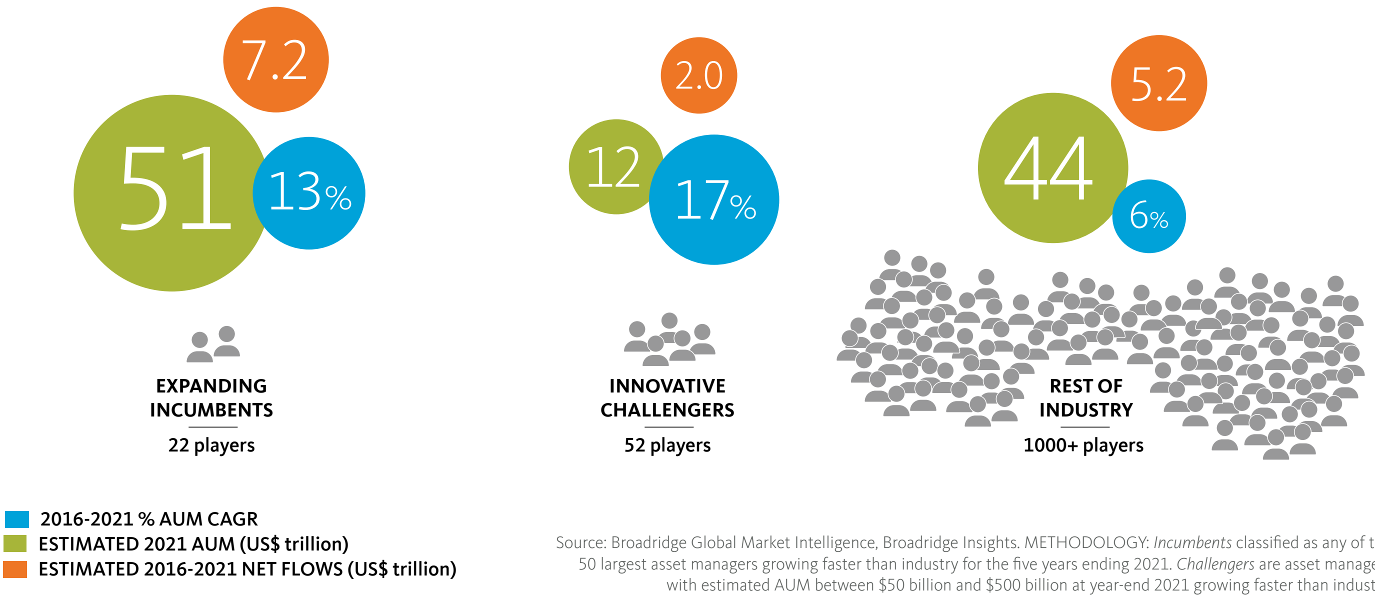
- EXPANDING INCUMBENTS are asset managers that have managed to maintain or strengthen their incumbency. A mere 22 managers command almost half of the global AUM (US$51 trillion) and half of global organic growth (50%) during the last five years to 2021. Despite their staggering scale, their average growth (13%) has outpaced the rest of the industry. However, our analysis also shows that scale by itself as a competitive advantage is difficult to defend—several of the mega managers have seen negative organic growth during the five years ending 2021.
- INNOVATIVE CHALLENGERS are asset managers that leveraged specific competitive advantages—often related to product attributes, but sometimes through new forms of distribution or delivery—to redefine their position against rivals. Despite holding 11% of overall industry AUM and only about 14% of the estimated cumulative five-year net flows, they boast the fastest organic CAGR in the industry (17%) by a wide margin.

The rest of the industry consists of weaker competitors: asset managers that failed to expand their position or (more often) lost market share. These firms, the vast majority of industry players, relied mostly on capital markets to fuel any growth (if they grew at all). Many tumbled due to one of two reasons: over-diversification through organic and inorganic expansion into areas where they lacked competitive advantage, or overstretching resources when quick wins were not feasible.

All three competitive peer groups are heterogeneous beyond their top-line size and growth characteristics in terms of attributes. Each group is composed of firms from different regions, with varying investment capabilities, operating models and ownership structures. But successful competitors share one industry-specific trait their less prosperous rivals lack: an ability to adapt to the secular trends reshaping asset management worldwide.

EXPANDING INCUMBENTS AND INNOVATIVE CHALLENGERS ACCOUNT FOR 64% OF THE INDUSTRY'S ORGANIC GROWTH OVER THE LAST FIVE YEARS

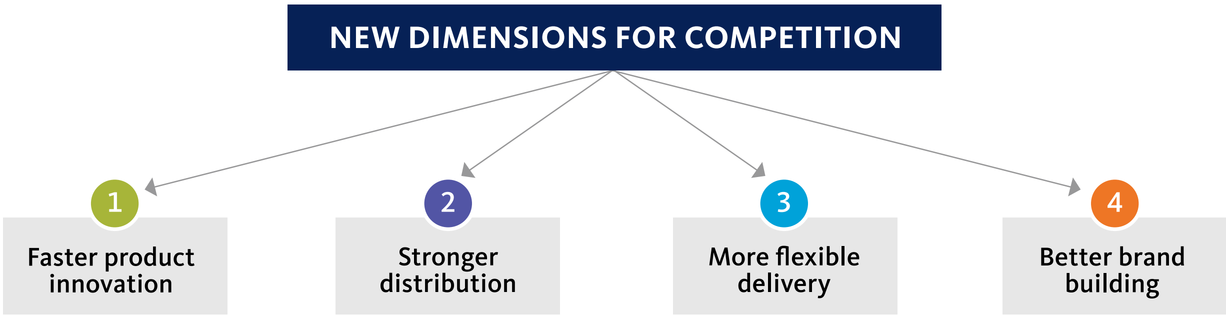
Asset management industry AUM and organic growth by firm type



Source: Broadridge Global Market Intelligence, Broadridge Insights. METHODOLOGY: *Incumbents* classified as any of the 50 largest asset managers growing faster than industry for the five years ending 2021. *Challengers* are asset managers with estimated AUM between $50 billion and $500 billion at year-end 2021 growing faster than industry.

CHAPTER 3: HOW SUCCESSFUL COMPETITORS ADAPT TO CHANGE

Many leaders of asset managers have long argued that strong investment performance is the primary, if not sole, competitive effort required to win. In a lower growth, oversupplied industry, investment performance is necessary but not sufficient, as the change trends described earlier set new standards for competition along four key dimensions.



Source: Broadridge Insights.

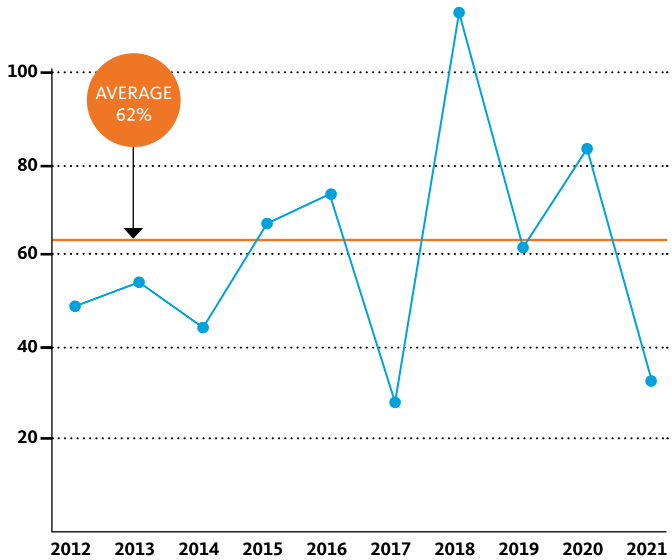
1 Faster product innovation

Large, flagship investment capabilities still represent most of the industry's economics on a run-rate business, but growth comes from a different place. On average, newly launched funds attracted 62% of net flows worldwide in each year of the past decade. Yet success remains elusive among firms launching new products, as only 4% of them reach the US$1 billion threshold within five years of introduction. Less than half (45%) are able to retain or increase their fund size after the first year of launch.

Successful competitors have realized that developing new product—quickly and effectively—is a superpower. Flagship capabilities built around legacy use cases now often grow more slowly, and usually suffer from greater fee pressure than investment strategies that meet investors' current demands, whether for outcomes or other more nuanced non-financial objectives, such as climate goals or impact objectives. Newer products also better reflect the reality of today's capital markets: Two-thirds of leading firms now have capabilities across both public and private markets.

SUCCESSFUL COMPETITORS REALIZE DEVELOPING NEW PRODUCT IS A SUPERPOWER

Share of worldwide annual net flows from mutual funds launched that year (%)



Sources: Broadridge Global Market Intelligence, Broadridge Insights.

KEY FINDINGS

Competitive asset managers embrace innovation—an overused word in most industries, but a necessary component of asset management's future. Challenger firms with less heritage behind their infrastructure can nurture a culture that attracts forward-thinking talent; incumbent leaders have the cash flows to fund new product experiments. But many successful asset managers share a few common characteristics across their approach to innovation and product:

PRODUCT IS A DISCRETE FUNCTION, often at the executive leadership level, not simply an outgrowth of either investments or distribution, or an expanded product management function that focuses on the mechanics of product launches. This ensures product has a central role in enterprise strategy.

PRODUCT DEVELOPMENT IS DATA-DRIVEN, creating the measurement system for a process-driven approach to innovation that can guarantee a higher rate of success, focusing on external views of competitors and demand to prioritize the best new product ideas to tackle next, and channel resources appropriately.

INNOVATION-MINDED DISTRIBUTION should be flexible enough to sell newer ideas alongside existing concepts, as well as to offer protected exclusive or semi-exclusive channels that could "seed" new product.

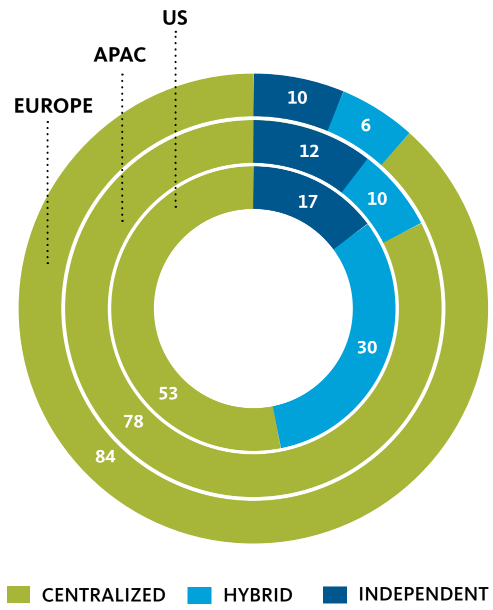
2 Stronger distribution

Distribution dynamics still vary widely across channels but a variety of long-term trends—regulation around advice, its increasing complexity and the rising cost of delivering it effectively through technology—continue to push toward greater consolidation of advice delivery within intermediaries. This centralization is either occurring within the house itself (as is the case among global private and regional banks, US wirehouses and broker-dealers, and large institutional solutions providers like OCIOs) or along service agents that connect advisors to central advice resources (providers such as the large turnkey platforms in the US, UK and Australia).

As investor questions become more personalized and complex, many individual advisors increasingly want to outsource all portfolio construction and development tasks to more experienced third parties. Model portfolios, now holding US$5 trillion in the United States alone and likely to double in size before 2026, are just one tangible example of this trend. Tax optimization has been a key driver in the customization trend, and the pursuit of ESG, impact and other non-financial objectives is likely to drive it further. As this shift gains traction—even in the complex, hyper-fragmented US advice market—central distributors increasingly position themselves as gatekeepers, assuming greater responsibility for portfolio customization and construction, and capturing the economics from a wider swath of the advice value chain.

CENTRALIZED FUND SELECTION PROCESS MOST PREVALENT

Fund selection process by AUM, 2021 (%)



Sources: Broadridge Fund Buyer Focus (FBF) Intelligence, Broadridge Global Market Intelligence. *Independent:* Each advisor has high discretion for selecting asset managers. *Hybrid:* Advisors and professional buyer headquarters share discretion for selecting asset managers. *Centralized:* Professional buyer headquarters has high discretion for selecting asset managers.

KEY FINDINGS

Competitive asset managers separate themselves from less effective peers by making three changes to their distribution strategies, reflecting the influence of more powerful and industrial distributors.

MULTIPLYING POINTS OF INFLUENCE

Centralized/hybrid selection teams may be gaining traction, but on-the-ground servicing that provides technological know-how and local knowledge is equally important and increasingly prized. While it remains important to deliver alpha, it is no longer sufficient on its own. Successful managers understand that intermediaries are seeking more than component providers: They want to work with investment firms that can provide insights and toolkits to help them with portfolio construction. Distributors are seeking deeper relationships with a smaller number of asset managers.

DATA-DRIVEN SEGMENTATION

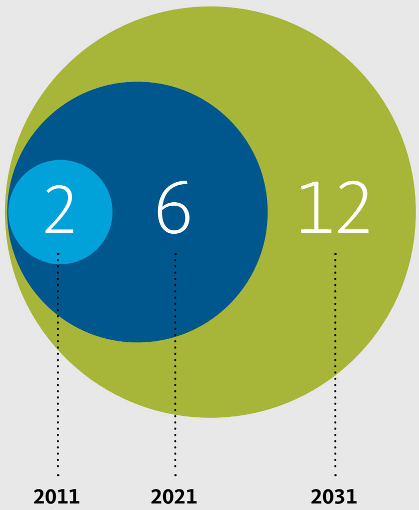
Leaders and challengers have sharp competitive advantages in distribution support—including intellectual property, exclusive access, specialist support, and content—to where it will provide them the most impact, but often lack clear measurement tools to link spend with revenues. During the past decade, the information needed to make these decisions has become more detailed and available, allowing asset managers to compare not only distributors, but individual advisors, with one another—and make them compete for value-added services.

SEEKING PREFERRED AND EXCLUSIVE DISTRIBUTION RELATIONSHIPS

This relationship approach can also play a role in securing a valuable moat for an asset manager's business. Many leaders and challengers possess access to some form of preferred or exclusive distribution within their parent company's distribution system or one or more of their key unaffiliated intermediaries. Subadvising funds has been one path to securing this distribution, and subadvisory prevalence has risen among major distributors as they seek to validate their portfolio construction capabilities with the brand names of underlying investment firms. Successful competitors are exploring a variety of other alliances, both exclusive and semi-exclusive, with core distributors.

THE RISE OF SUBADVISORY

Global subadvised AUM, US$ trillion



Sources: Broadridge Global Market Intelligence, Broadridge Insights.

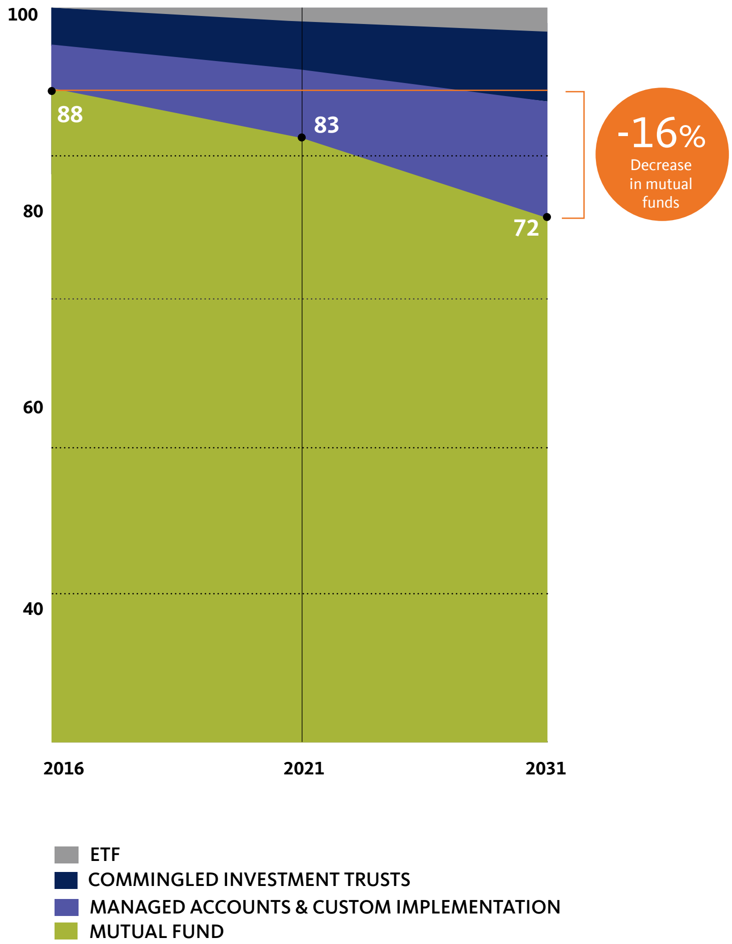
3 More flexible delivery

Mutual funds remain critical vehicles for delivering investment capabilities, particularly in certain markets such as US defined contribution plans and the passporting regimes that facilitate cross-border fund delivery in Europe and Asia Pacific. But increasing innovation and technology, as well as the need to tap different markets such as illiquid investment, have triggered growth in alternate investment vehicles. While mutual funds are far from dead, they will become a shrinking proportion of investments sold to individuals worldwide.

A variety of old and new technologies—unified managed accounts, direct indexing and now distributed ledgers—may leapfrog the need for pooled vehicles (including exchange-traded funds) altogether. An increasing proportion of US intermediated individual assets are held in custom-built portfolios directly by investors and managed by asset managers which deliver their capabilities through piping data about portfolio construction and security selection into an intermediary's implementation platform. As such technologies and approaches gain influence, they impact an asset manager's client relationships, value chain economics and even their ability to deliver alpha.

GREATER DEMAND FOR VEHICLE CUSTOMIZATION AS FUNDS BECOME ONE OF THE MANY TOOLS AVAILABLE

Actively managed retail collective fund AUM and custom retail vehicles worldwide excluding alternatives (%)



Source: Broadridge Global Market Intelligence, Broadridge Insights.
Note: Managed accounts includes model portfolios.

KEY FINDINGS

Competitive asset managers are becoming increasingly flexible with delivery models—but only for priority products and markets where such changes contribute to decisive market leadership in the opportunity segment. Three factors help asset managers decide whether new delivery models are worth the change required:

IMPLEMENTATION COST
Innovations that allow an asset manager to deliver similar investment value at a lower cost to the investor will comprise competitive advantage.

CUSTOMIZATION
Technologies that let asset managers provide portfolio personalization at a level greater than the intermediary can effectively offer will stand out among peers.

OPERATIONAL EFFICIENCY
Competitive asset managers will develop delivery capabilities that minimize added complexity, run-rate cost or constraints on portfolio managers.

4 Better brand building

If one argues that an asset manager is only truly unique across two attributes—investment-oriented intellectual property and brand—it seems counterintuitive that many firms fail to strategize about, or adequately invest in, the latter. In a world with more complicated use cases, where new products and capabilities will drive a higher proportion of forward organic growth, a competitive brand will convince clients to believe in new offers and initiatives.

A WINNING BRAND IS BUILT ON BOTH PRODUCT AND SERVICE ATTRIBUTES

Top factors driving change in top 15 global asset managers' brand rank, 2021

Source: Broadridge Fund Buyer Focus Intelligence.

KEY FINDINGS

Competitive asset managers make conscious, strategic decisions about building a brand.

LINKING BRAND ATTRIBUTES TO CLEAR COMPETITIVE ADVANTAGES
Many asset managers still take similar, undifferentiated approaches to building brands, emphasizing table-stakes attributes such as "trust" and "client centricity." Imagine brands built on the opposite of these characteristics, and one sees how indistinct they are. Asset managers that curate what their brands represent in terms of competitive advantage stand out more than those that react to how clients perceive various current qualities.

EMBEDDING INNOVATION AND CHANGE AS BRAND ATTRIBUTES
Historically, brand strategy has been left to distribution within asset management firms, which means that most asset management brands have been built solely on service attributes or loosely defined investment outperformance. Our quantitative measures of brand strength, however, underscore that strong brands mix product and service attributes to indicate that the firm can help with not just current but future investment use cases. Sustainable investing, particularly in Europe, has become a use case that particularly impacts brand equity.

STRIKING A BALANCE BETWEEN REGIONAL NORMS AND GLOBAL POSITIONING
Global brands carry more equity but imposing such brands on increasingly divergent local expectations and success characteristics is a less effective brute-force approach. Competitive asset managers find ways to link global branding to each region's different demands for various attributes.

Enabling capabilities

All four of the competitive strategies outlined in this section are industry-aligned, but successful asset managers are growing more comfortable with two large change catalysts common throughout many industries—and helpful in this one, when used judiciously and effectively:

Successful asset managers are increasingly comfortable with two large change catalysts—technology and M&A.

- **TECHNOLOGY:** While it is a universal competitive lever, successful asset managers are realizing that technology can play two roles. The first of these is as a means of developing operational efficiency across multiple functions: investments, distribution and delivery. But successful asset managers increasingly realize their capital expenditures on technology could serve an auxiliary purpose: they could become business lines that make revenue by mutualizing key advantages other asset managers struggle to achieve. Several successful asset managers have already built significant revenue streams by offering middle-office, risk management, investment delivery and other technologies to rivals that either struggle to build these capabilities at similar scale and quality or—more likely—have just decided that, because it's not a competitive differentiator, it's ripe to outsource. And while "technology" conjures images of many highly advanced network and operational systems, managing data is clearly the industry's urgent and most important technology need.

- **M&A:** Many competitive asset managers use transactions as growth strategies. While firms in other categories have attempted to use M&A similarly, increasingly leaders view deals as a method through which to quickly gain new capabilities, with scale being a secondary, or even absent, objective: More than half of winning incumbents have used M&A to broaden product and distribution, rather than simply consolidate scale. Asset managers that become good at finding firms with newer, complementary capabilities (successfully attracting them as acquisitions, and then integrating them effectively and cleanly), develop the muscles that make them not only competitive buyers for hot talent, but also thoughtful strategic partners through alliances and relationships. These powers make them formidable competitors within the industry ecosystem.

CHAPTER 4: USING DATA TO BECOME MORE COMPETITIVE

Asset managers have many ways to transform themselves into either incumbents or challengers, depending on their starting point and desired future state. But how can ambitious presentations translate into real-world results? Strategies to compete more effectively will share three common characteristics. Data will play a critical role in diagnosing the change initiatives that can realistically move the dial. Quantitative metrics will then define goals, measure progress and improve decision-making reaction speed and conviction. Finally, establishing a data-driven culture in distribution, product and corporate development will boost results and continuously build the best next version of your firm.

THE DIAGNOSTIC ELEMENT: PRECISELY TARGETING WHERE TO BUILD, WHERE TO PARTNER AND WHERE TO PASS

A data-driven, empirical diagnosis of competitive advantage will direct attention to areas where a firm's competitive advantages truly have the potential to be exceptional—leading to outsized organic growth potential within a particular capability or market segment. A diagnostic framework not only can help identify existing competitive advantages, but also clear gaps that a firm can solve through building strategic partnerships with other businesses—not just asset managers, but also wealth managers and financial technology firms.

Three actions to help asset managers create effective diagnoses:

1. Conduct a data-driven, empirical evaluation of competitive advantage.
Conduct clear-eyed benchmarking—including quantifying the voice of the consumer. Empirical data can help an asset management firm truly understand how it fares against peers across a range of quantitative metrics—including investment performance, market share, organic growth, distribution efficiency and brand presence.

2. Measure and prioritize opportunities at a granular level.
Data permits asset managers to ring-fence highly specific opportunities where they can gain outsized growth. Prioritize opportunities where a firm can secure commanding market share either by clawing market share from competitors or entering new segments. New opportunities may feel additive and more promising, but they should be evaluated through the same decision framework as existing business.

3. Use data to identify ideal counterparties for partnership.
Identify ideal counterparties, either for acquisition or partnership, by using data to define the most important elements to secure inorganically. This helps narrow the opportunity set and raises the chances of successful execution by only engaging with the most complementary counterparties. Deep partnerships with a smaller number of distributors (exclusive/preferred distribution, codeveloped product development) or peer asset managers (local market access, joint products) allow successful asset managers to leverage the capabilities of their partners for greater impact and efficiency.

FOR THESE ACTION ITEMS

Key metrics that can drive the right results include:

- Very specific market sizing data, with detailed market share metrics for the firm and its competitors
- Quantitative analytics based on qualitative client satisfaction reviews and feedback
- A strong set of benchmarks to measure competitive advantage against peers

THE DECISION-SUPPORT ELEMENT: FOCUSING RESOURCES TO UNLOCK THRESHOLD EFFECTS

Increased competition means that for asset managers, victory requires overwhelming competitors to not only seize, but sustain, market share and growth. This entails prioritizing the best opportunities and making serious, deliberate investments in conquering them. Leadership across a few high-growth opportunities is better than following in many flatlined products and markets.

Three actions to help asset managers shape effective resourcing decisions:

1. Clearly define what success looks like.
Setting quantitative goals, particularly those that can directly impact enterprise-value metrics such as organic growth rates, is a critical first step.

2. Set consistent decision support metrics.
Empirical metrics should be used to size the timing, risk and impact of various growth initiatives. Use consistent metrics that can be updated on an ongoing basis to measure progress in a tangible way. Evaluate growth initiatives across a common set of metrics and link smaller growth initiatives into market-leadership strategies to ensure they all work towards improving enterprise value.

3. Establish triggers for withdrawal and support.
Set quantitative thresholds for withdrawing from certain businesses. Laggard asset managers often are overdiversified across products and markets, spreading resources too thin for competitive advantage. Asset managers should reallocate brand equity, talent and budgets from areas that offer no path to a leadership position.

FOR THESE ACTION ITEMS

Leaders of asset managers should agree on two sets of metrics:

- **Those that drive enterprise value**
- **Those which stakeholders will agree help define thresholds for risk and reward**

Using such quantifiable measures in tandem will help narrow the number of growth initiatives, allowing a firm to focus more efforts and resources on each—raising the chances of successfully achieving market leadership.

THE DRIVING PRINCIPLE: BUILDING THE BEST NEXT VERSION OF THE FIRM

Finally, data continues to play a role as asset managers move from strategy to execution. Three actions can help asset managers extend data-driven strategy into implementation and continuous improvement:

Three actions to help asset managers implement strategies for continuous improvement:

1. A data-driven environment for innovation
R&D is a creative process but measuring progress with quantitative metrics can ensure lower yield loss and better deadline management. More frequent evaluation of new product launches and new distribution efforts facilitate a more agile approach to expansion initiatives—early successes can attract more resources, and early struggles might get shut down faster.

2. A data-led distribution process
Refine sales processes and coverage models. Acknowledge regional differences in data availability but work with internal salesforces and external partners to find and hone relevant tools. Use data to score prospects, suggest next best actions, and optimize the client journey. Distribution leadership sets the culture by visibly using data as the cornerstone of annual and quarterly planning—and to reward results.

3. A pragmatic corporate development program
Design a systematic framework to evaluate prospective acquisitions, supported by clear enterprise success targets and supportive decision evaluation metrics.

Partnership and transaction decisions should be less driven by emotion but rather automatically flagged when agreed metrics reach the right levels. Asset managers who link data-driven enterprise strategy to M&A tactics will make better deals and execute integration more effectively.

FOR THESE ACTION ITEMS

Success is less about the metrics themselves and more about how an asset management firm communicates them through the organization, via effective use of dashboards and other data visualization and dissemination technology and protocols. Democratizing decision-support through an intuitive and effective technology platform helps firms adequately inform the transformation program.

CONCLUSION: LEADING ASSET MANAGEMENT FIRMS SHAPE, NOT FOLLOW, TRENDS

Standard competitive strategy underscores that capabilities are more difficult to imitate than resources. Yet in an industry replete with the intellectual horsepower to design new capabilities—across investments, distribution and delivery—little effort is made to clearly define and adequately resource differentiators, let alone highlight them in a brand strategy.

There is already ample evidence that asset managers who can do this, regardless of current size, are likely to grow smarter and faster than peers—particularly when informed and guided with increasingly available and detailed data about customers and rivals. For these leaders and challengers, the secular trends reshaping asset management's global operating environment aren't headwinds at all. They are opportunities to show the world what they can do.

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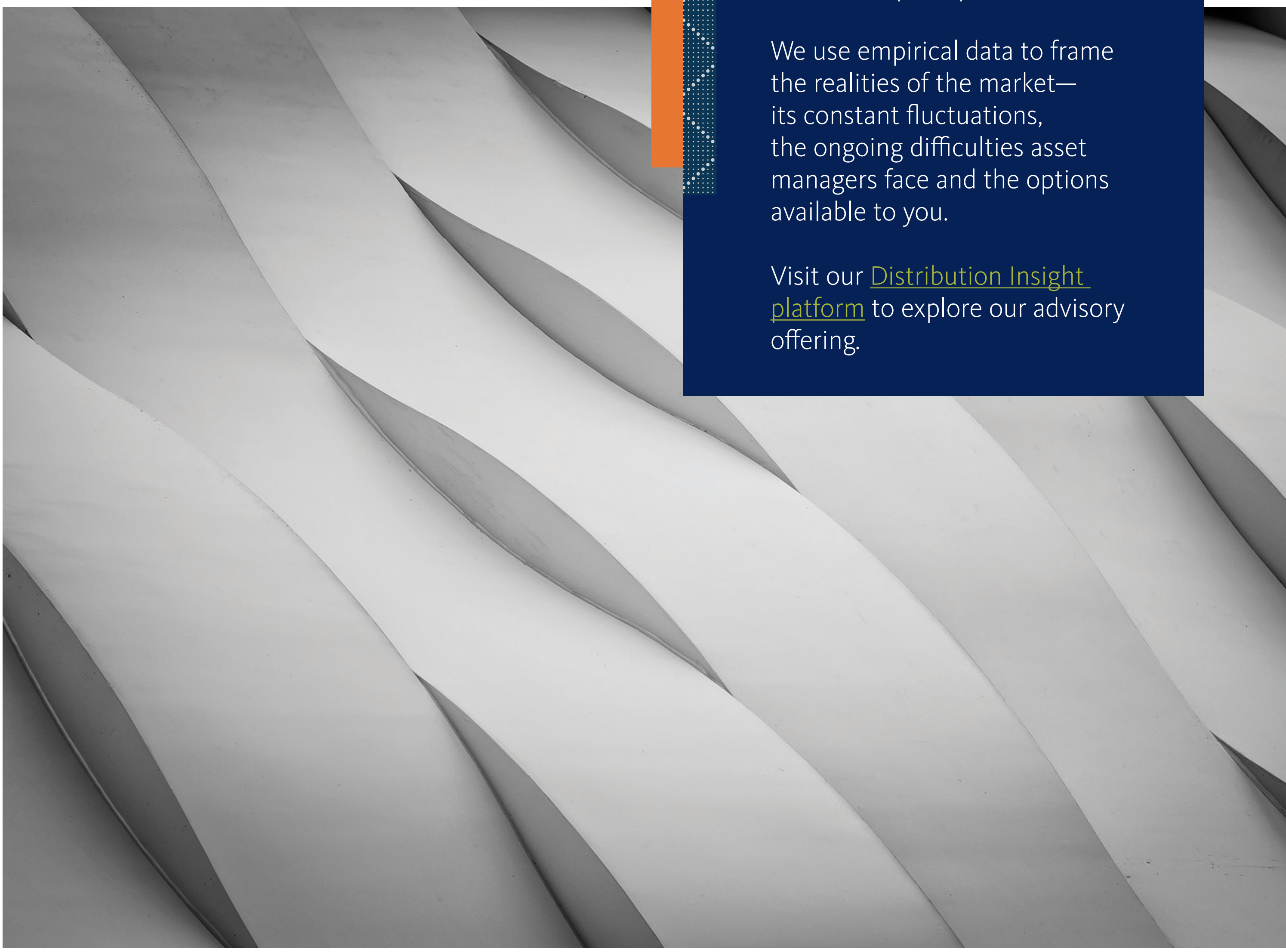

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