KEYNOTE INTERVIEW

The costs of maintaining a legacy

GPs relying on outdated legacy data management systems may be falling behind peers who've moved on, says Allvue CEO *Mark Heimbouch*

The need for more data, delivered faster than ever before, is a cliché among private capital managers and investors – and that is because they are both still struggling to meet that need.

Data management can be a costly, time-intensive effort rife with the possibility that all those resources are wasted, as staff struggle to adopt and make the most of that new and 'improved' system.

Yet, managers who stick with their status quo in data management systems and strategies could find themselves outpaced by rivals who found the right solution to make the most of their data. *Private Funds CFO* spoke with Allvue Systems CEO Mark Heimbouch to discuss the stakes of data management

today and how GPs should approach upgrading their systems.

Q **Let's start with the biggest disruption last year. Has covid-19 changed the industry's approach to data management?**
The ability to effectively manage and analyze data has always been in demand, as people have been eager to use it to improve their decision-making. I wouldn't say the pandemic changed that view, but rather it accelerated trends already underway.

Early on, there was an initial shock

from the pandemic, but as we got through the summer, people realized that the markets were going to keep moving and got back in the game. In the second half of the year, managers started to think more strategically around investment in their data systems because if people are going to be remote for a long time, then better systems would be needed to improve the flow of data.

But that was known before covid. There is a significant increase in the allocation of capital to private markets, and that's fueled increased complexity in terms of fund structures and strategies. Layer atop of that an increased focus on compliance and risk, and managers have been facing a massive proliferation of data to process, analyze and

report, and that will present an ongoing challenge.

Pre-pandemic, teams were working in the same location, sharing information and, more to the point, easily clarifying that information. That can be harder to do with everyone working from home. So, we've seen the pandemic become a call to action to implement more modern technology to manage more data quicker, with scalability and affordability.

We've worked with a number of clients lately that regret not migrating their data from their legacy, hosted systems to a cloud-based solution sooner, as they appreciate how our offering will enable them to make better decisions using that data, as well as provide analysis and data to their LPs with speed and rigor, scaling and growing their business. The reality is that asset managers who work with legacy systems, unable to manage data and provide insights effectively, will potentially be more challenged to drive strong returns.

Q To stay competitive, how should a GP approach an upgrade?

Data is an incredibly complex area that involves gathering, analyzing and reporting. The best managers in the market are going to ask a lot of questions. Do they build a customized solution because of the complexity of what they're

> *"The best managers don't think about these systems as some kind of replacement for the back office"*

doing? How accessible does the data need to be to both staff and investors? Do they need to migrate to the cloud? How do they combine all their data into a single warehouse, compared with keeping it separate in silos throughout the firm? Can they support and upgrade that data solution on an ongoing basis?

From our experience, GPs need the right kind of work engine to capture and manage all that data, not just for this year or the next, but with a long-term view. And that engine needs to make everyone in the organization smarter with business intelligence tools that tap all that information to make better decisions. But this also means centralizing the data, providing a workflow to support inputs and outputs, complete with that consistent set of tools. And finally, instead of putting together an Excel spreadsheet, reporting should be done through a web-based portal, which provides LPs easy and secure access to that data.

The best managers don't think about these systems as some kind of replacement for the back office, but as a chance to improve the entire business in terms of decision-making and transparency. They think of these new solutions as a way to transform their data into a competitive advantage. If designed with that in mind, it'll be worth the time and effort involved.

Q What would you say to a manager who thinks their current process works fine and an upgrade isn't worth it?

There are certainly a plethora of vendors and technologies, so the process can be difficult. But it is definitely worth investigating. The better firms will seek advice from companies, experts, solution providers, even peers, who have been where they are. They'll also build internal expertise to inform the process.

However, it's increasingly hard to argue for legacy hosted systems compared to cloud software solutions that are more integrated, with significantly improved data and analytical tools. For

cloud-based solutions, the cost of ownership and upgrade goes down while the security around the process gets more stable than it would be in the back of a data center.

There's the saying, "software will eventually gobble up the world," so the priority has to be getting away from manual processes and handoffs to simpler and more scalable solutions. If GPs are going to keep up with the pace of change, they need to be nimble. They have to look at how much time it takes teams to input, analyze and report data. No manager can thrive if they have to wait a month or two, or even three months, to get an accurate picture of their portfolios.

The other factor here is if a manager invests in multiple asset classes, they should still have a centralized data system. Separate silos for each can be costly and cumbersome to maintain and reduce the flexibility that is required to utilize the data at the top of house where it can inform the firm's overall strategy. We pride ourselves on delivering a true end-to-end integrated cloud-based solution across asset classes to match the complexity of today's managers.

Q Even the best solutions require time to migrate; what if GPs don't think they have time for such a project right now?

The migration time will depend on how customized and scalable the legacy system is; and there are some clunky solutions still out there that will take time. But keep in mind all the time lost using inefficient systems, and how much slower the firm as a whole operates because they've got to wait on data, or potentially not use it effectively.

There's a limit to how long a firm can stay competitive with outdated solutions. The pandemic has probably highlighted such limitations, but getting back to the office won't solve them. The pain spent on that upgrade saves managers the pain of realizing they've fallen behind the pack. ∎