STATE STREET

CAPTURING THE DATA OPPORTUNITY

Institutional investors in the age of AI

October 2023

Preface

The investment industry runs on data. Recent advances in data quality and access built the industry to its current state. Further innovations in the aggregation and use of data will transform the investment business. Institutional investors of all types understand that data is a must-have resource. Data remains not only the cost of entry but also a critical means of differentiation and competitive advantage. Enter artificial intelligence (AI), the ability of computer systems to perform tasks that traditionally require human intelligence, and the rise of generative AI, the power to create content such as images, text or music, autonomously. By enabling large scale data capture and manipulation at speed, generative AI has the potential to fundamentally reshape knowledge industries.

This report explores the data opportunity in the age of AI for institutional investors across their entire operations. It is the first comprehensive industry study that quantifies the data opportunity in economic terms and provides insight into where firms stand in their data transformation, the challenges they face and the tools they have at their disposal.

The research is based on an in-depth survey of more than 500 asset owners, asset managers, wealth managers, official institutions and insurers from the Americas; Europe, Middle East, and Africa (EMEA); and Asia-Pacific (APAC), and is informed by interviews with external experts and partners. This report builds on our prior research on data and technological innovation in the investment industry. Recent publications include: ***Central Banks in the Digital Age: Bringing Data into Focus, Empowering Asset Managers Through Data-Driven Transformation, The Multi-Asset Era Demands a Public-Private Data Model*** and ***Putting the Power of AI to Work in Investing***.

At State Street, we continue to invest and accelerate our adoption of AI, Machine Learning, and Natural Language Processing technologies across the investment lifecycle. Underpinned by its cloud native, open architecture platform, State Street Alpha® is leveraging AI to support portfolio construction, improve data management, and detect market opportunities in real time. With a team of over 450 engineers, 6 patents, and expertise from across the data science community, State Street continues to drive technology forward to enable better, data driven, investment decisions.

In this report, we present our findings with the aim of facilitating a greater understanding of how institutional investors can strategically position themselves for success in the rapidly evolving data ecosystem.

Joerg Ambrosius
Chief Commercial Officer

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Key Insights

Insight 1

Capturing the benefits of data in the age of AI is a potentially transformative opportunity for financial services firms and the investment industry. Out of 520 institutional investors surveyed around the world, more than 80 percent rate the level of opportunity from improved data management and usage as either medium, large or transformational. Traditional asset managers and wealth managers are the most optimistic with over 90 percent expecting to reap significant benefits from their data transformation.

Insight 2

Firms with a holistic data strategy are already seeing considerable benefits, particularly in the areas of customer relationships and revenue growth. Those with a data strategy report on average a 24 percent increase in customer satisfaction, a 21 percent increase in customer retention, a 19 percent increase in new client acquisition and a 19 percent increase in revenue growth. Firms in APAC are more likely to have a holistic data strategy in place than in the Americas or EMEA.

Insight 3

Given the benefits reported, adopting a holistic data strategy may be a significant economic opportunity for many institutional investors. Two-thirds of those surveyed lack an overall data strategy with asset owners lagging by type of institution. Mid-sized institutions, with assets under management (AUM) between US$100 billion to US$500 billion, significantly lag with only 20 percent having a holistic data strategy compared with 58 percent of larger and 40 percent of smaller institutions. Yet the majority of firms without a strategy recognize the value of having one and are moving in that direction.

Insight 4

Two additional strategic priorities emerged:

- Expanding consistent data usage across the entire organization: In the next two to five years, most respondents expect to expand usage beyond current areas of concentration such as risk assessment, meeting ESG goals and tracking investment performance.
- A focus on front-to-back: Half of those surveyed rate their interoperability across front, back and middle office as average, below average or poor. Collateral management is seen as the area most likely to benefit from faster access to back-office data by identifying cheapest to deliver securities. Other areas expected to benefit include better insight into fund redemptions, better transparency and collaboration between teams and improved decision making.

Insight 5

Understanding where institutional investors are in their data transformation was a key area of inquiry. Only 40 percent are halfway or more than halfway, with insurance and traditional asset managers the most advanced by institutional type. This indicates that most of the economic benefits from data have not yet been realized and may be sizeable.

Insight 6

Out of three main implementation tools at their disposal—tech, talent and partners—firms are prioritizing significant investments in technology. On average, institutional investors report needing to upgrade almost half of their existing technology to meet their goals around data with those in the Americas reporting the need for more extensive upgrades.

Insight 7

But training of existing talent and partners, including outsourcing partners, is seen as a key enabler of their tech investment strategy. Most respondents are open to outsourcing opportunities for their technology and data needs with those in EMEA the most open to partnerships.

Insight 8

In the next two to five years, institutional investors surveyed expect AI to provide the most value in the areas of enhanced cybersecurity followed by automated investment analysis, customer experience and engagement, risk analytics and personalized investment advice.

CHAPTER 1

How big is the data opportunity?

When it comes to institutional investors, data has long been in the realm of portfolio and investment decisions. But now tools like big data analytics, the cloud and generative AI, hold the promise of transforming an investment firm's data use and management across its entire operations.

In this chapter, we explore where institutional investors are in their data transformation, what they expect from that transformation and what tangible benefits they are already seeing. Our findings are based on a survey of institutional investors across the Americas, EMEA and APAC (See Box 1: Our survey methodology).

Importantly, our survey was designed to provide a sense of the size of the economic opportunity a firm may expect from its data transformation.

Box 1: Our survey methodology

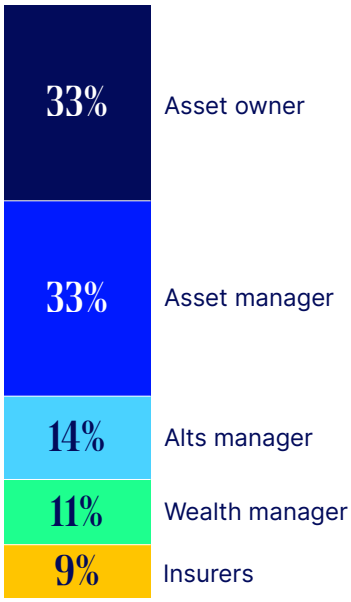
In July and August 2023, we surveyed 520 institutional investors (traditional asset managers, asset owners, alternative asset managers, wealth managers and insurers) about their data capabilities, plans, expectations and results to date. Respondents were spread over 16 countries - the United States, Canada, United Kingdom, Germany, France, Switzerland, United Arab Emirates, Saudi Arabia, Australia, Japan, China, Hong Kong, Singapore, India, Brazil and Mexico (Exhibit 1). By AUM, respondents ranged from under US$10 billion to over US$1 trillion, with almost a quarter of those institutions surveyed with AUM between US$250 billion and US$500 billion and 20 percent above US$500 billion. More than a third of respondents were either chief information officers or chief data officers while the remainder were chief executive officers, chief operating officers, chief investment officers and various investment and portfolio managers as well as other data managers.

Exhibit 1

Respondent demographics

520 Total Respondents

Which one of the following best describes your organization



Breakdown by geography

What is the current value of your organization's assets under management?

% of total respondents

US$10B-$US25B	13%	US$25B-US$50B	11%	US$50B-US$100B	15%
US$100B-US$250B	18%	US$250B-US$500B	23%	US$500B-US$1T	11%
US$1T or more	9%				

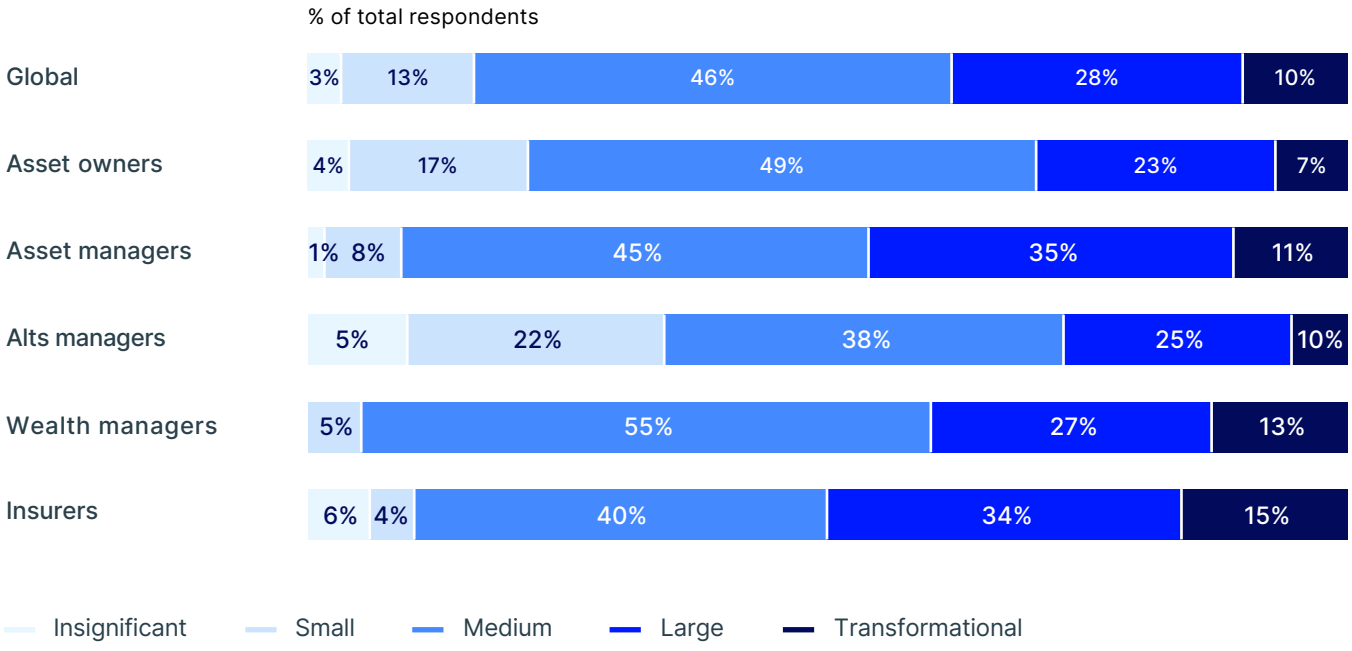
The data opportunity is potentially transformative

The vast majority of institutional investors surveyed, over 80 percent, expect the opportunities from enhanced data use and management to be significant (categorized as medium, large or transformational). Nearly 40 percent anticipate the benefits will be large or transformational (Exhibit 2). Traditional asset managers and wealth managers are most optimistic about the prospect of improved data management and usage. Over 90 percent expect to reap medium, large, or transformational benefits.

Expectations of data being a sizeable opportunity are evenly spread across regions 85 percent in the Americas, 86 percent in EMEA, and 83 percent in APAC.

Exhibit 2

Over 80 percent of institutions expect sizeable opportunities from enhanced data management and usage.



Note: Global denotes overall response (n=520)

Most institutional investors are in the early- to-mid stages of their data transformation

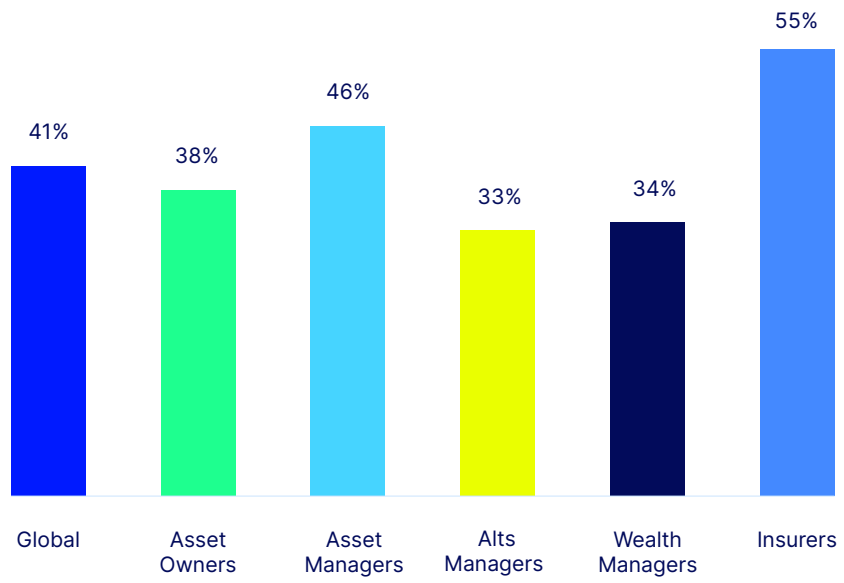
While the opportunities are potentially significant, most institutional investors are not near finished with their data transformation, implying the vast majority of benefits are yet to be realized. Only 12 percent of overall respondents said their data transformation was complete while about 60 percent said they were halfway or less than halfway in their data transformation (Exhibit 3).

By institutional type, traditional asset managers and insurers were most advanced while asset owners, wealth managers and alternative asset managers the least.

Exhibit 3

Most institutions are not yet mature in their data journey.

% respondents who believe they are more than half-way in their data journey



Note: Global denotes overall response (n=520)

Overall, three quarters of respondents rated their current data capabilities across the board at a nascent or intermediate stage of development. Most singled out data accuracy, access, analytics, governance and data integration as key areas for development.

Nearly one in two asset owners indicated that their current data management capabilities with respect to data sharing (both with clients and in-house), visualization and governance are nascent to intermediate, while asset managers pointed to data accuracy and data integration as key areas for improvement.

When asked about their greatest strengths and weaknesses, the majority indicated confidence in their people, highlighting problem-solving, adaptability and process. Existing technology, platforms and software systems were overwhelmingly seen as weaknesses.

The ability to support growth agendas, whether by offering new products, expanding into new asset classes and geographies, or launching new business lines all require a robust and flexible data foundation. Forward-thinking asset managers that re-evaluate their operating models and retire accumulated technology debt will be well-positioned to thrive in an environment of constant change.

John Plansky
Head of State Street Alpha

Those with a holistic data strategy are already seeing benefits like higher revenue growth

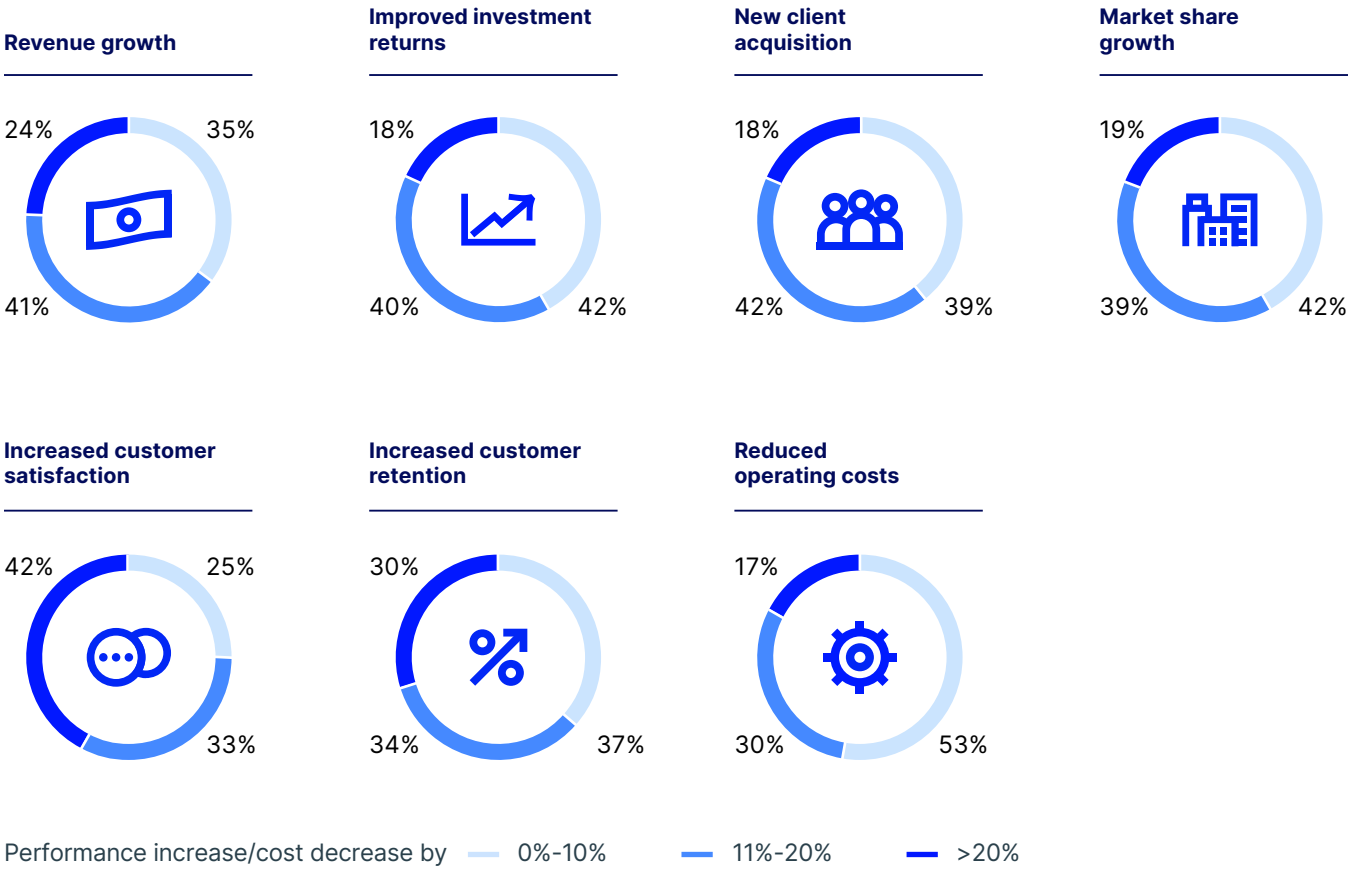
More than half of respondents with a holistic data strategy saw at least 10 percent improvement across a range of metrics including revenue growth, investment returns, new client acquisition, market share growth, customer satisfaction and customer retention (Exhibit 4).

Reduced costs trailed these more growth-oriented metrics. The biggest benefits from a holistic data strategy were increased customer satisfaction, customer retention and new client acquisition as well as increased revenue growth.

Exhibit 4

Institutions with a holistic data strategy claim direct business impact particularly in improving customer relations and revenue growth.

% of total respondents



On average respondents with a holistic data strategy say they experienced a 24 percent increase in customer satisfaction, a 21 percent increase in customer retention, and a 19 percent increase in revenue growth.

In increased customer satisfaction, the highest improvement was seen in the US with an average of 27 percent while EMEA and APAC reported an average of around 22 percent.

In increased revenue growth, Americas and EMEA reported about the same size improvement, around 20 percent and APAC around 17 percent.

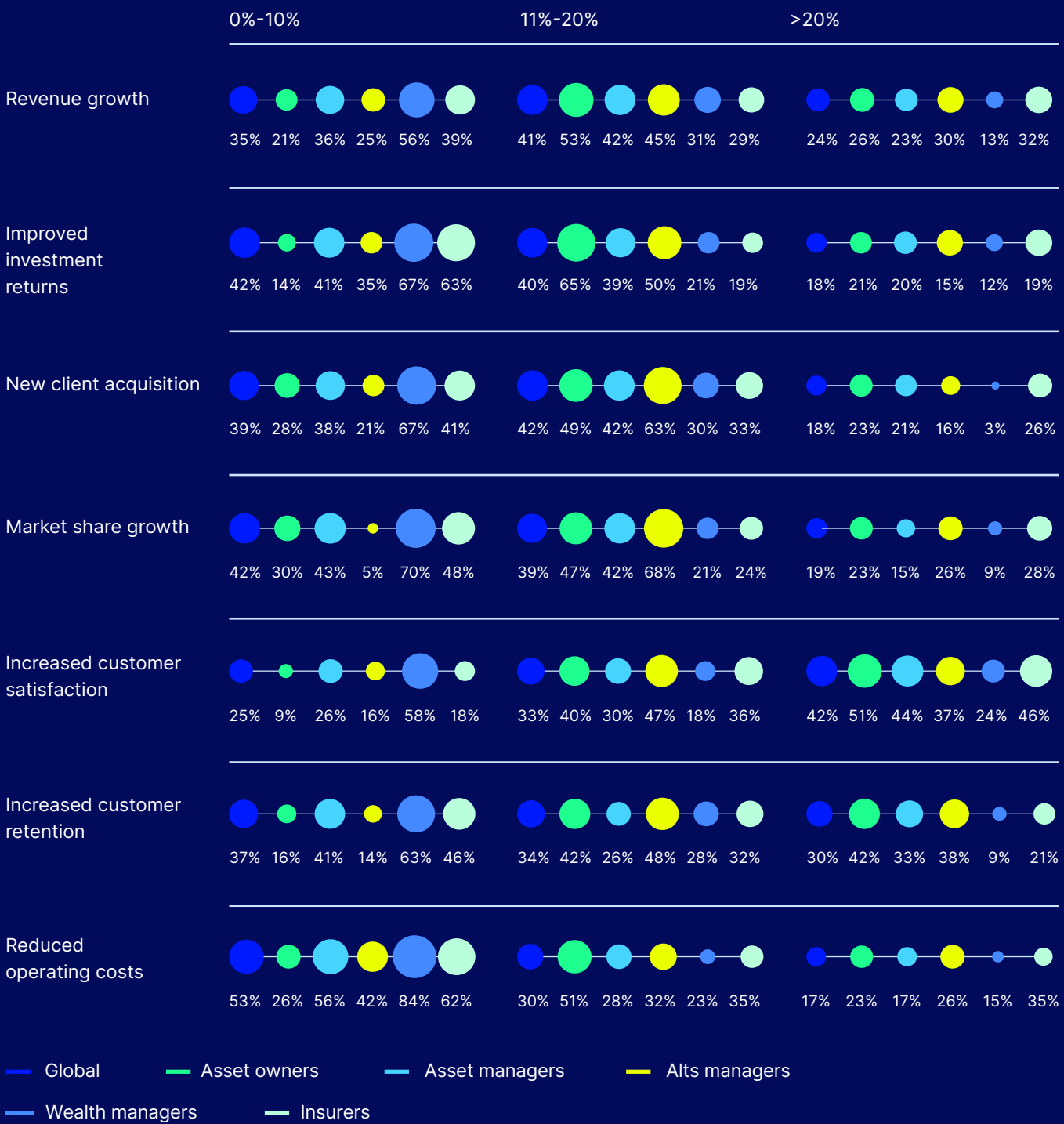
55 percent of EMEA respondents saw a 11 to 20 percent increase in investment returns.

By type of investor, asset owners reported the biggest benefits across a number of metrics including revenue growth, investment returns, increased customer satisfaction and reduced costs (Exhibit 5).

More than half of respondents with a holistic data strategy saw at least 10 percent improvement across a range of metrics including revenue growth, investment returns, new client acquisition, market share growth, customer satisfaction and customer retention.

Exhibit 5

Benefits of a holistic data strategy by institutional investor type.



79 percent of asset owners with a data strategy saw an increase of more than 10 percent in revenue growth, 86 percent of asset owners saw an increase of more than 10 percent in investment returns, 91 percent saw an increase of more than 10 percent in customer satisfaction, 84 percent saw an increase of more than 10 percent in customer retention, and 84 percent saw a decrease in costs of more than 10 percent.

An increase in market share was a benefit for the vast majority of alternatives managers. 94 percent of alts managers reported an increase of more than 10 percent in market share from having a holistic data strategy. Customer satisfaction, retention and revenue growth were also important benefits.

Wealth managers reported seeing the lowest benefits across metrics. The vast majority reported zero to 10 percent gains across metrics.

Insurers found that customer satisfaction was the biggest benefit. And traditional asset managers followed the overall trend of seeing improvements in customer satisfaction, retention and revenue.

Interestingly, those without a holistic data strategy, when asked about how big they expected the benefits to be from improved data use and management, picked gains of at least 10 percent across metrics (more or less in line with the benefits realized by those with a strategy). Alternatives managers stood out with the greatest expectations from their data transformation with over 80 percent expecting to increase market share growth and revenue growth by more than 10 percent.

The ability to offer private investments at scale requires a fundamental rethink of infrastructure and processes. While there's tremendous opportunity for firms to differentiate their product line-up to clients, there's also significant operational and risk challenges to solve.

John Plansky
Head of State Street Alpha

CHAPTER 2

Data as a strategic asset

Institutional investors face a moving target when it comes to data use and management. To begin with, data needs are expanding rapidly with the emergence of new asset classes, like digital assets, and the proliferation of others, like private assets, in addition to changing regulations and compliance, such as around sustainability.

On top of that, technology is transforming data management, requiring new knowledge, investments and skill sets.

This chapter highlights key findings from our research that point to a number of strategic priorities for institutional investors.

These include implementing a holistic data strategy, expanding data use across the organization and improving interoperability across the front-, middle- and back-office.

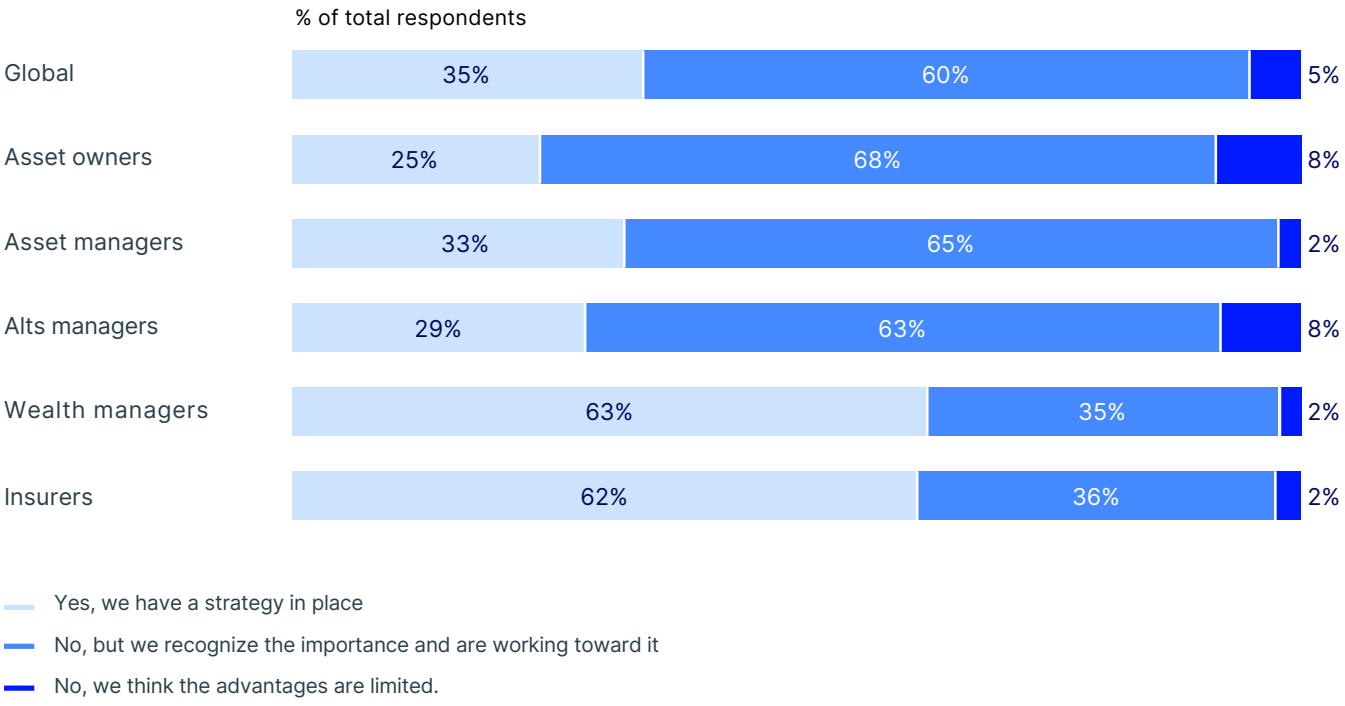
Most respondents do not have a holistic data strategy but recognize its importance

Given the benefits reported by our survey respondents, creating and adopting a holistic data strategy may be a critical priority for many institutional investors today. Two-thirds of the institutional investors we surveyed have no overall data strategy in place, and most of those institutions were mid-sized, with AUM between US$100 billion and US$500 billion.

Out of these institutional investors only 20 percent reported having an overall data strategy compared with 58 percent of larger institutions (with over US$500 billion in AUM) and 40 percent of smaller institutions (with under US$100 billion in AUM). However, almost all, some 95 percent, saw the value in a holistic data strategy (Exhibit 6).

Exhibit 6

A holistic data strategy may be a significant opportunity for many institutional investors.



Note: Global denotes overall response (n=520)

Wealth managers and insurers led in terms of the number of respondents that have a holistic strategy, more than 60 percent in both cases. Asset managers lagged with only 25 percent having a holistic data strategy.

70 percent of institutions in the Americas and 71 percent in EMEA have yet to implement a data strategy. Meanwhile, APAC leads across regions in implementing a holistic data strategy, nearly five out of 10 institutions in APAC have a holistic data strategy in place.

However, most institutional investors without a holistic data strategy were actively working toward one or expected to do so in the future. Overall, about 60 percent said they were about to introduce a holistic data strategy, just started to create one, or would create one in the future. (See Box 2: Elements of a data strategy)

Two-thirds of the institutional investors we surveyed have no overall data strategy in place, and most of those institutions were mid-sized, with AUM between US$100 billion and US$500 billion.

Box 2: Elements of a data strategy

For institutional investors beginning to develop a holistic data strategy, a number of elements may be worth considering.

1 The objective

According to McKinsey & Company, all too often organizations undertake massive programs that try to meet the need of every data user, all at once.[1] Instead, McKinsey suggests organizations focus on data uses that deliver value in the near term while at the same time laying the foundation for future data use.[2]

2 Current use cases

Boston Consulting Group (BCG) advises organizations to identify and prioritize use cases: "A company needs to identify where its capabilities are and then identify the data use cases that these capabilities make possible."[3] It suggests organizations identify 10 to 15 foundational use cases to roll out.

3 Future use cases

These are likely to be shaped by industry trends. DTCC outlined a number of key trends that it expected would be important for data strategy and management in financial markets including accelerated adoption of technology such as cloud, AI and distributed ledger; a cultural shift toward more collaboration both internally and externally; growing financial innovation.[4]

4 Tools to implement a data strategy

These fall into three main categories: technology, talent and partners (See chapter 3 for more details). An assessment of current tools and required capabilities for implementation is also critical.

Most respondents expect to expand data use across operations in the next two to five years

Most institutional investors today use data in a few key areas such as risk management, ESG compliance and tracking their investment performance. However, there is some variation amongst types of institutions. For example, the majority of insurance respondents cite risk assessment as a key area of data usage while asset owners report heavy data usage related to ESG and regulatory reporting. Overall, data use in corporate functions such as sales and marketing was less advanced compared to use in compliance, risk and investment functions (Exhibit 7).

However, in two to five years, institutions expect data usage to become more consistent across the organization, including corporate functions like sales and marketing. This might indicate expectations around where AI in particular can add the most value (See chapter 3 for more details around the impact of AI).

For example, while asset owners currently report heavy data usage related to meeting ESG goals and investor communications (27 percent compared to 15 percent for traditional asset managers), over the next two to five years, they expect to expand data usage across functions. Nearly a third expect an increased focus on performance measurement.

A significant share of wealth managers expect to increase data usage across portfolio analysis and regulatory reporting in the coming years while a third of traditional asset managers expect to expand data use to risk assessment.

Data usage for alternatives managers today is concentrated in supporting investor communications and portfolio analysis. However, over the next two to five years, they expect data usage will become more important for risk assessment, monitoring cyber threats, and sales and marketing.

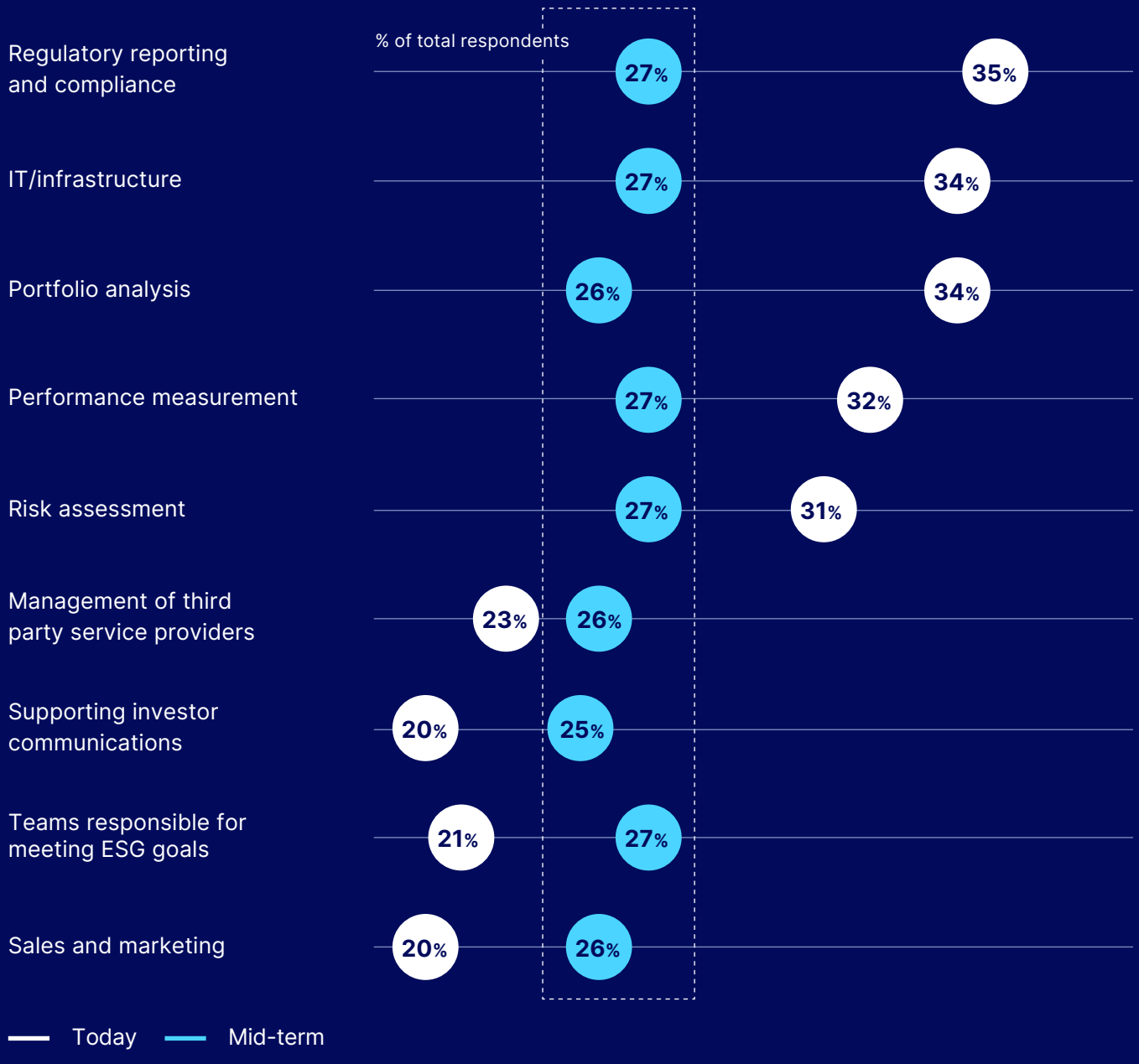
Part of the data problem institutional investors experience today is that there's a preponderance of data that they need to analyze, normalize and standardize in order to garner investment insights. This means that the ability to flexibly and efficiently access accurate data in order to gain competitive advantage and unlock growth becomes critical not only for investors and portfolio managers, but also for the risk and operational functions.

Donna Milrod
Chief Product Officer

Exhibit 7

Data usage today is concentrated in regulation, network visibility and portfolio analysis. It is expected to become more general and consistent in the next two to five years.

Which areas of your organization use data the most today, and which areas do you expect will use data the most in the next to five years?



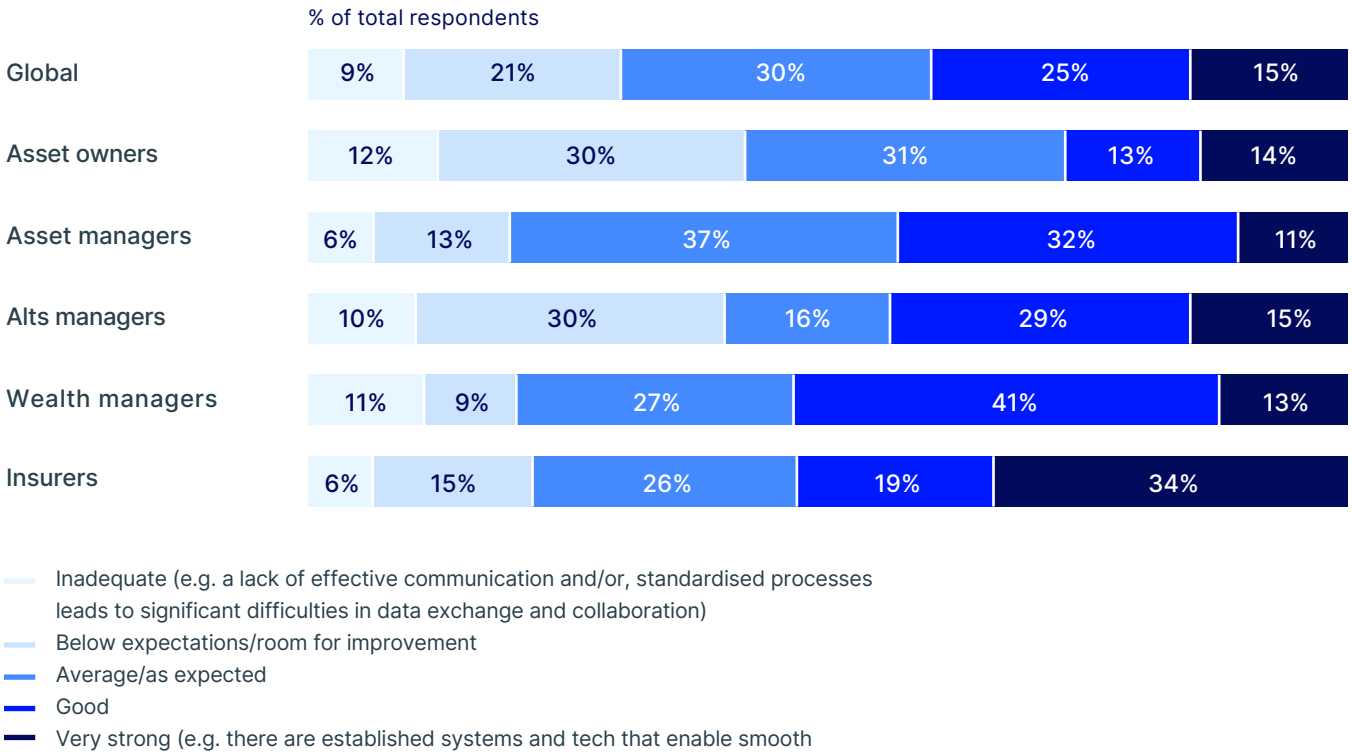
Most respondents rate their front-to-back interoperability as average, below average or poor

60 percent of respondents rate their interoperability across front, middle and back operations as average, below average or inadequate. This could represent a significant opportunity for institutional investors as they look for ways to enhance their capabilities around data use and management (Exhibit 8).

Interoperability is a major challenge for EMEA institutions; only 37 percent believe that it is adequate today (compared to nearly 50 percent of APAC).

Exhibit 8

Only four in 10 institutions rate their interoperability as good or very strong across their front, middle and back offices

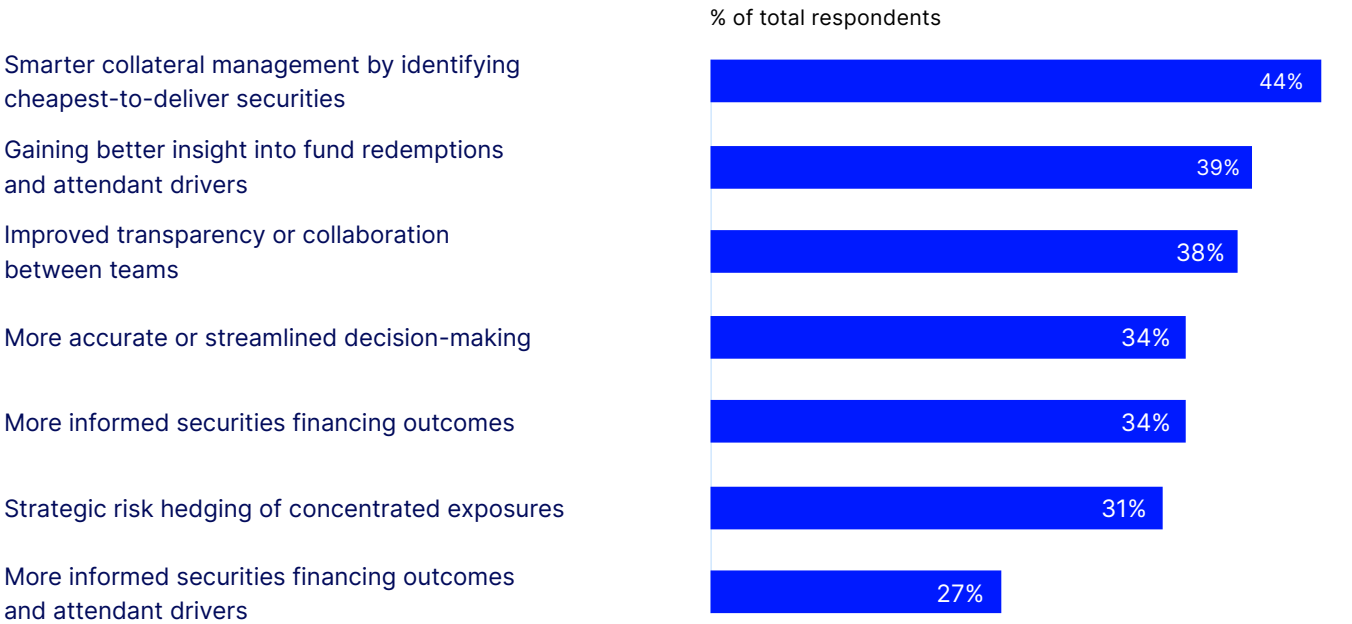


Note 1: Global denotes overall response (n=520)

When asked what value would your front-office gain from better connectivity with the back office, respondents selected smarter collateral management by identifying cheapest-to-deliver securities, followed by understanding drivers for fund redemptions, and improved transparency and collaboration between teams (Exhibit 9).

Exhibit 9

Connecting front and back office data can unlock significant efficiencies in collateral management, understand drivers for fund redemptions and enhance transparency.



Effective data management and delivery is paramount in a front-to-back strategy. A data foundation that leverages a modern, cloud-native repository enables firms to capture, validate and mine the massive volumes of data generated by their investment processes and enrich it with externally sourced data. This ability to extract data-driven insights in near real-time represents a fundamental paradigm shift for the industry.

John Plansky
Head of State Street Alpha

CHAPTER 3

Strategic data implementation

Institutional investors have three main tools at their disposal to implement a data strategy: technology, talent and partners. In our survey, we asked a range of questions to understand challenges, opportunities and plans associated with these implementation tools.

Overall, we found firms are prioritizing investments in technology over talent and partners. Such investments could be significant for individual firms as well as the industry at large.

On average, those surveyed said they need to upgrade almost half of their existing technology to meet their goals around data. Furthermore, the top investment focus in the next two to five years across regions and firms is AI.

However, training existing talent and partners, including outsourcing partners, is regarded as a key enabler of tech investment strategy.

Most respondents were open to outsourcing opportunities for their technology needs with data analysis, visualization and infrastructure identified as most important in the next two to five years.

Firms are prioritizing tech with significant upgrades needed to existing capabilities

More than half of respondents are focused on technology to build their data capabilities with the remaining split evenly between talent and partners.

60 percent of those in APAC selected tech as a priority focus, far higher than the 51 percent in the Americas and 45 percent in EMEA.

EMEA had the highest proportion of respondents selecting partners—a third are prioritizing partners to build their data capabilities compared to 16 percent in APAC and 22 percent in the Americas.

By type of investment institution, around 70 percent of wealth managers are prioritizing technology to upgrade their data capabilities compared to only 46 percent of asset owners.

In a sign of potentially significant investments in technology for the industry, nearly 80 percent of respondents reported needing to upgrade at least 25 percent of their existing tech capabilities to meet their goals. Slightly more than 40 percent reported needing to upgrade at least half of existing tech capabilities (Exhibit 10). On average, those surveyed reported needing to upgrade 46 percent of existing technology.

Those based in the Americas anticipate more extensive tech upgrades than other regions with 44 percent of respondents based there reporting a need to upgrade more than 50 percent of existing technology to achieve strategic goals.

When asked about what areas of technology institutional investors were investing in now, respondents picked talent and skills as number one, followed by cybersecurity, data governance and compliance.

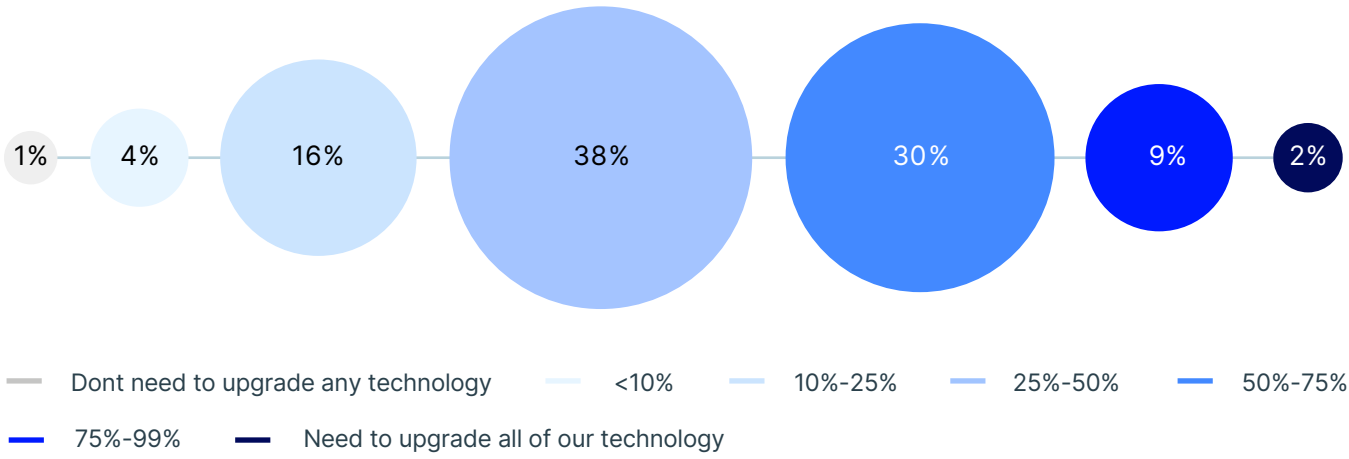
Overall, investment priorities shift looking ahead, with AI/machine learning becoming the top investment priority (See Box 3: Where will AI deliver the most value?). In the next 12 months, the number one priority is cloud-based data, followed by big data and analytics, and AI/machine learning. In the next two to five years, AI/machine learning is the top priority followed by big data and analytics, and data governance and compliance.

While AI is a top three investment priority for all regions, looking at the next two to five years, APAC respondents picked automation as number one while blockchain was first for Americas respondents followed by AI/machine learning.

Exhibit 10

Almost 80% of respondents highlight the need to upgrade at least 25% of their existing technology to meet their strategic goals

% of total respondents



Share of respondents who reported the need to upgrade at least 25% of their exisiting technology

By region

79% Global

78% Americas

81% EMEA

78% APAC

By segment

79% Global

81% Asset Owners

78% Asset Managers

84% Alts Managers

80% Wealth Managers

68% Insurers

Box 3: Where will AI deliver the most value?

The potential of generative AI to transform business operations and deliver significant benefits is top of mind for business leaders today. A new analysis from the McKinsey Global Institute estimates that generative AI could add the equivalent of US$2.6 trillion to US$4.4 trillion annually across 63 use cases analyzed.[5] The study found that three quarters of that value would occur in four areas: customer operations, marketing and sales, software engineering, and research and development.

In our survey, we focused on where respondents expected AI to provide the most value in the next two to five years. There were nine possible choices and respondents were asked to rank them from highest value to lowest. These were:

- **Trading:** Identifying brokers and liquidity venues that deliver best execution and informed price discovery
- **Portfolio analytics:** Surfacing new investment opportunities
- **Risk analytics:** Generative AI-derived risk factors that augment existing macroeconomic, statistical and fundamental factors
- **Enhanced surveillance:** KYC, AML, front running, etc.
- **Detecting anomalies in data feeds**
- **Automated investment analysis:** Including gathering data and running trend analysis and predictive modeling
- **Personalized investment advice:** Using AI algorithms to analyze individual investor profiles, preferences and market trends to provide personalized advice
- **Customer experience and engagement:** Using AI-powered chatbots and virtual assistants to improve customer experience with natural language queries
- **Enhanced cybersecurity:** Using AI to analyze network traffic, detect anomalies and proactively identify potential threats

Overall, the top five areas picked were:

1. **Enhanced cybersecurity**
2. **Automated investment analysis**
3. **Customer experience and engagement**
4. **Risk analytics**
5. **Personalized investment advice**

Wealth managers and alternative investments managers saw opportunities in building AI-enabled personalized investment advice. For APAC respondents, meanwhile, AI was expected to provide the most value in personalized investment advice and enhanced cybersecurity.

Ensuring that massive volumes of disparate structured and unstructured data is fit for purpose requires a solid data management foundation capable of capturing, curating, enriching and delivering data sets to AI and machine learning modeling engines.

Time to information is also critical. Many use cases require forecasts and predictions in near real time due to the short shelf life of actionable investment and risk data. Legacy databases, spreadsheets and data silos present major obstacles to leveraging the benefits of AI.

The considerable cost and effort of connecting these disparate data sources to a centralized, AI-ready repository rarely delivers the expected benefits. A new data management paradigm is required.

Aman Thind
Chief Technology Officer, State Street Alpha

Institutional investors are building external partnerships to meet their tech needs

Partnerships and outsourcing is a key trend in the investment industry. The share of operations costs going to outsourced operations for asset managers increased from 18 percent to 23 percent between 2018 and 2021.[6] While use of third-party data is common in the industry, what about the infrastructure needed to store and manage data?

In our survey, we asked institutional investors how open they were to outsourcing their data technology needs. There were four categories to choose from: not open, somewhat (certain tech as needed), moderately (actively exploring outsourcing for multiple areas) and very (actively embracing outsourcing as a strategic approach)

Almost all respondents, about 98 percent, reported being open to outsourcing their data technology needs and almost half are actively looking to outsource multiple data operations. Traditional asset managers are most open to outsourcing. About three quarters are moderately to very open compared to 60 percent of asset owners.

The main areas firms currently outsource include data storage, management and infrastructure (Exhibit 11).

Data management partners are key. For two-thirds of respondents, more than 25 percent of their data is managed by third parties, a trend that is especially true for wealth managers.

Nearly four out of 10 respondents based in the Americas have outsourced more than 50 percent of their data management (significantly higher than other regions).

This trend is more prominent in institutions with higher AUM (greater than US$250 billion).

Out of the three main regions, EMEA is most open to partnerships. Nearly 70 percent of the organizations we surveyed in EMEA are dependent on third-party data sources.

In the coming two to five years, institutional investors across regions and types expect to look for partners in areas like data visualization, analysis and reporting.

Exhibit 11

Institutions currently outsource their data storage, management and infrastructure.

In the coming two to five years companies will be more focused on outsourcing areas like data visualization and analysis and reporting.

The talent gap is a key challenge to unlocking the potential of data

A key challenge for any industry is having the right skills in place to unlock new technologies like generative AI. According to the Deloitte 2023 Global Human Capital Trends survey, more than 90 percent of surveyed business leaders believe that using technology to improve work outcomes and team performance is very important or important to their organization's success.[7] Yet only 22 percent believe their organizations are very ready to use technology to improve work outcomes and team performance.

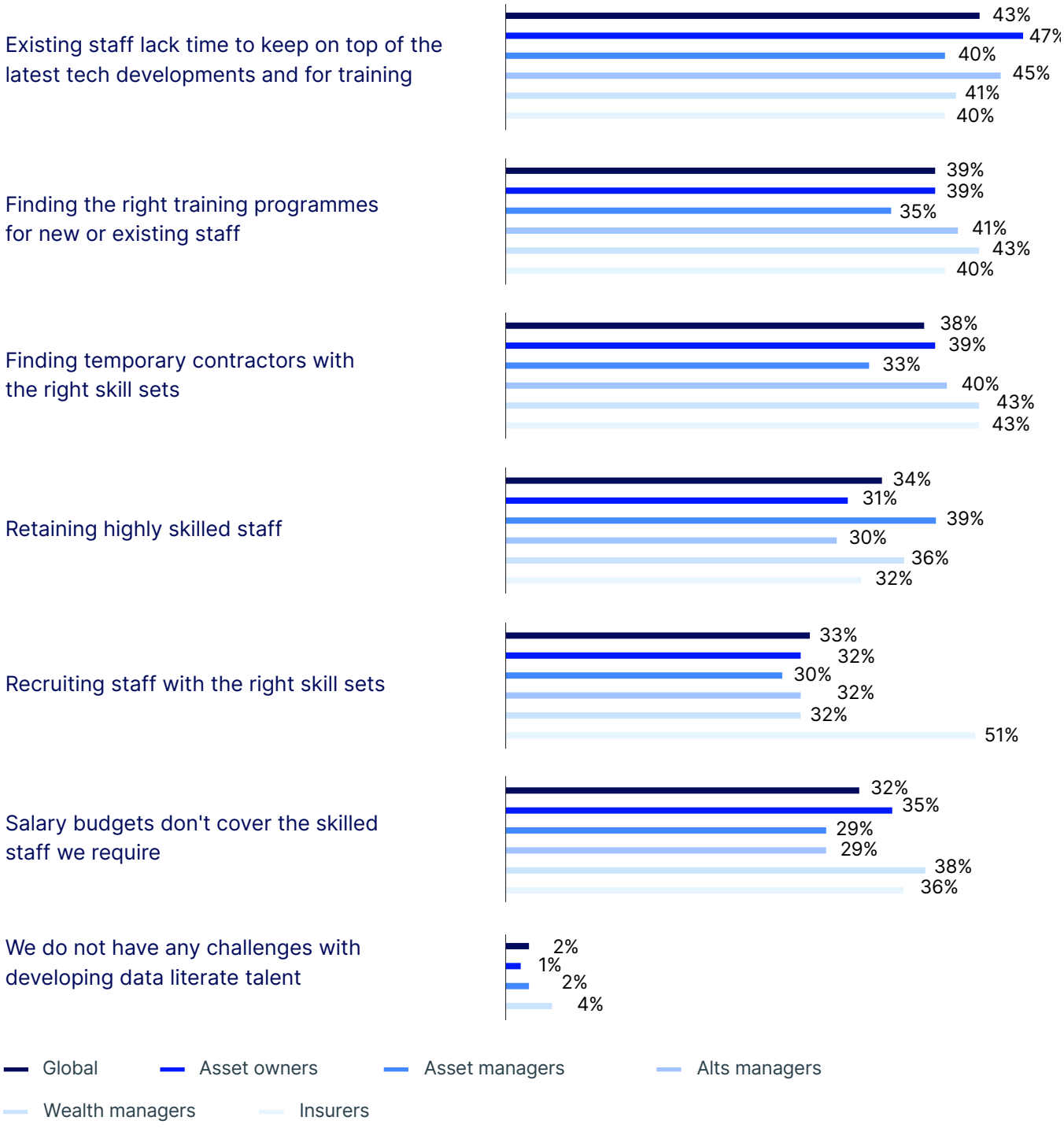
When asked about this gap, institutional investors in our survey reported two main challenges: existing staff lacked time to stay on top of the latest tech developments and firms fell short on finding the right programs to train talent. This was especially true in EMEA and APAC (top challenge was lack of time) and Americas (the top challenge was finding the right training).

Overall, respondents reported that a lack of data-literate talent was already having tangible effects on business including causing delays in the implementation of projects, resulting in high contractor costs and increasing the cost of doing business (Exhibit 12).

According to asset owners, a lack of talent has impacted their ability to attract and retain customers, whereas for alts managers it has resulted in an inability to adapt to regulatory changes. This may have important implications for the skills and degrees of new hires going forward in the industry.

Exhibit 12

Lack of data-literate talent is having noticeable business impact.



% of total respondents

Conclusion

The data opportunity for institutional investors can be transformative and those with a holistic strategy are already realizing significant benefits in the form of revenue growth, increased client satisfaction, retention and acquisition. While firms are currently prioritizing substantial investments in technology over talent, they are open to developing partnerships and outsourcing to seize data opportunities. We believe that in the increasingly complex data space, no single resource will meet all needs. Successful investors will assemble a mosaic of resources, partners, talent and technology to meet their own unique needs. Furthermore, flexibility will be key to prosper and profit in the ever-changing data ecosystem.

Endnotes

1. *How to unlock the full power of data? Manage it like a product,* McKinsey & Company, June 2022.
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5. *The economic potential of generative AI: The next productivity frontier,* McKinsey Global Institute, June 2023.
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7. *2023 Global Human Capital Trends*, Deloitte, January 2023.

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State Street Corporation
One Congress Street, Boston, MA 02114-2016

www.statestreet.com

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