Institutional investors spend a third of their time on tasks with no value to investment process

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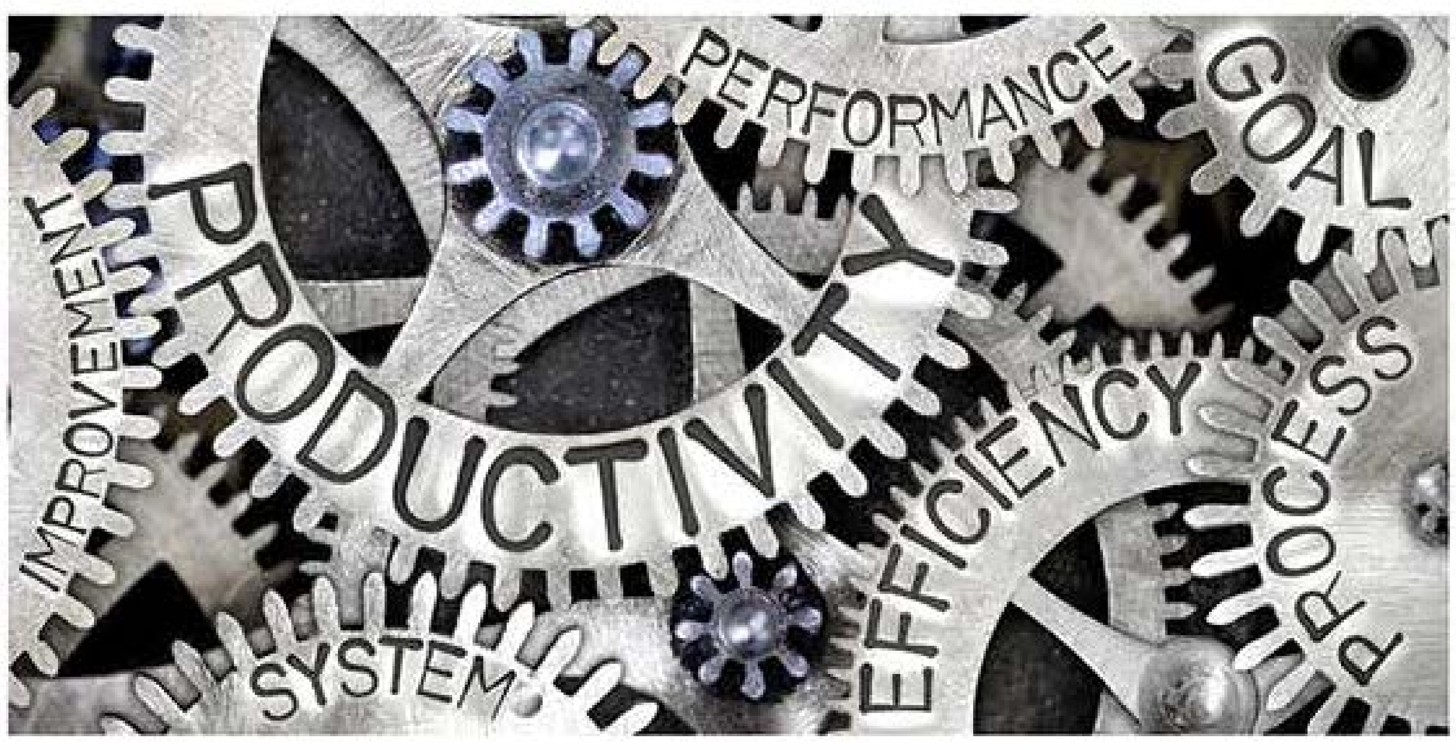

Institutional investors are spending 30 per cent of their time on tasks that do not add value to the investment process, including searching for documents on shared drives, and typing up handwritten notes from meetings.

Only half of their time, or 22 hours a week, is put towards tasks that are key to the investment process, such as meeting with new and existing managers, according to a new survey by investment outsourcing firm Mercer and software company Backstop Solutions.

"One thing is certain: great ideas are not arrived at by searching for documents in shared drives or hard-to-locate network folders. Institutional investors uncover big ideas by solving the puzzle of the market," say co-authors Ron Carson from Thirdside Solutions, Maryling Yu from Backstop Solutions, and Danny Church-Taylor from Mercer Investment Consulting.

These "puzzle pieces", according to the authors, come from conversations with investment managers and other market participants through industry conferences, journals, consultants and peers.

"With enough conversations and enough time to digest the information they take in, the investment professional can put the jigsaw puzzle together with the best picture and insights into the market. But they can't do it if they're spending too much time on manual tasks such as transcribing notes, saving or searching for documents, and preparing reports."

According to the report, 'Institutional Investor Productivity Study', non-value adding tasks currently occupy 13 hours out of an average 44-hour week, which includes downloading and uploading documents, searching for documents on shared drives, typing up handwritten notes from meetings, auditing for document record completeness, and creating fund tear sheets. "These can all be enabled with technology," say Carson, Yu, and Church-Taylor.

Mercer and Backstop Solutions also defined a separate category of value-adding, but non-core, investment tasks that "could be improved through the use of technology". These take up an average of nine hours a week, or a fifth of institutional investors' time, and include performing manual computations around manager performance, managing liquidity requirements, and preparing reports for stakeholders.

"Adding up the time spent on the two categories of non-core tasks, we see that 50 per cent of respondents' time is spent on tasks that could be made more efficient or even eliminated through the improved use of technology," say Carson, Yu, and Church-Taylor.

"The time they free up by streamlining, automating or offloading these necessary, but non-core, tasks can instead be spent on actions that directly influence investment selection, such as meeting with managers, discussing ideas with consultants and conducting research and due diligence."

As for the technology they currently use, three quarters of institutional investors said they were indifferent or not satisfied, and two thirds (63 per cent) had thought during the past week at work, "There must be a better way to do this".

"This is a powerful finding, clearly demonstrating that people are acutely aware of the issues and would welcome change, but don't necessarily know how to go about it," say Carson, Yu, and Church-Taylor.

The survey received more than 200 responses from employees at institutional investment organisations. Three quarters (73 per cent) of respondents were at the seniority level of director or higher.

Even in larger organisations with more than USD1 billion in assets under management, respondents reported spending four hours each week searching for documents and another five hours typing notes.

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