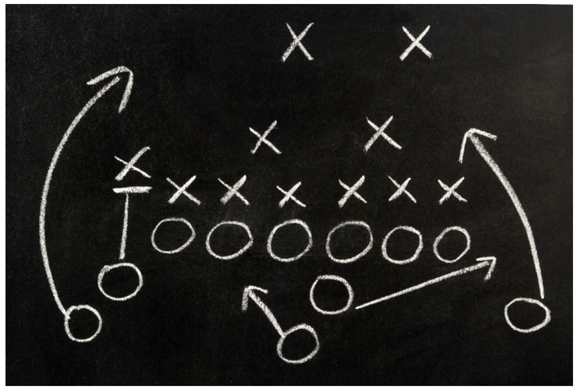
# The Best Offense is a Good Defense

By Brian Ross
**FLYER**



**No matter your** market views right now, everyone would agree that we are in a period of intense uncertainty that has shocked the economy and the markets. There are many divergent views on how recovery will play out, not just in the coming months, but in the next year or two. COVID-19 has fundamentally changed how advisors should look at their business and operations.

The full impact of COVID-19 is still unclear. Advisors can no longer rely on the AUM tailwind to drive revenue growth. Advisors must now focus on the expense side of the income statement, both cutting costs and investing in technology. The firms that will outperform their peers will do two main things:

1. Increase capacity while reducing costs
2. Leverage technology to differentiate

The firms that effectively accomplish these two tasks will be well-positioned to navigate the current climate and to accelerate growth in a post-COVID-19 environment.

## Scaling smartly

COVID-19 has caused advisors to look at their businesses to identify areas to improve operational efficiencies. Optimizing middle and back-office processes will yield the greatest return on investment, including increasing capacity to process more portfolios, orders and trades while simultaneously cutting costs. Market volatility and trading volume are highly correlated and driven by behavior (both rational and irrational), so it is imperative for firms to have the additional headroom to support unforeseen trading volume spikes. By automating the labor-intensive rebalance, trade, and allocation workflows, firms will be able to react quickly and effectively to these situations with fewer resources and fewer errors, while improving service delivery.

Instead of hiring more operational team members, make your current operational teams more efficient by transforming their model and infrastructure. When firms adopt these new processes, they gain significant efficiencies in two key areas: improved portfolio performance and reduction in resources dedicated to portfolio management, trading and post-trade operations. These changes also enable firms to reallocate essential resources to front-office activities, such as managing client relationships.

## Accelerating new technology adoption

Now is the perfect time for wealth management firms to re-evaluate portfolio trading technology. Many advisors do not have the technology in place to efficiently seize opportunities when the market is moving. The proliferation of the API economy throughout the wealthtech industry has opened up a whole new world of choices for advisory firms to differentiate themselves and improve the advisor experience by offering the best software at each step of the investment lifecycle. Tech-enabled advisors are using portfolio order management systems that instantly aggregate client account orders into blocks, rather than trading individual accounts one-by-one. These advanced order routing and allocation networks enable seamless trading of mutual funds, equities, fixed income securities and options, all through a single click.

## Playing both sides of the field

Improving operational efficiency is a defensive play. Firms can only handle situations like COVID-19 if they take the right steps to ensure resources are being effectively allocated across all business processes. On the flip side, accelerating new technology adoption is creating an offensive position of strength to drive future growth.

While there are still many unknowns driven by today's heightened volatility, the work-from-home phenomenon, and the abundance of investor choices, one thing is clear. Advisors need to be extremely competitive on both sides of the field to weather the storm and optimize investment performance over the long run. ■

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