

THE SECOND CHALLENGE FOR INNOVATORS - CONVEYING THE VISION

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Innovation is a mantra in our current culture and economy. Culture values the benefits that accrue from innovation, and our economy rewards organizations that deliver those benefits efficiently and ubiquitously.

The innovator's first challenge is to envision and create something new that is sufficiently valuable that people will redirect their resources (time, energy and money) from something else to that something new. But that is just the first challenge.

The second challenge is just as critical: the challenge of enabling others to envision the innovation, both in the very practical sense of how and where it exists in the world, and how, why and to whom it would be valuable.

Perception is reality: One person's innovation is another's oddity. The challenge in conveying the value of the innovation might arise from its technical or esoteric nature. However, it may – and I'd guess often does – arise because people have difficulty seeing something they are not looking for. In order to appreciate the innovation, one must be able to envision it, and because innovations are new, people aren't expecting or looking for them, and therefore may have difficulty seeing them...until they do.

Imagine that you are an institutional asset allocator, perhaps an asset owner managing the assets for your defined benefit plan or an endowment; or perhaps an outsourced CIO providing services to asset owners. You manage a highly diversified investment portfolio, executing an advanced investment strategy to optimize the likelihood of achievement of the stated objective in the context of an investment horizon spanning decades and multiple economic regimes.

That portfolio is constructed with scores of investments, including sub-advised separately managed accounts, commingled products and private investments, employing the full array of investment types and asset classes.



Among the many operational requirements is to produce a timely and accurate representation of the entire portfolio in a single integrated and coherent view.

Institutional asset allocators rely on custodians for much of that information, but they often look to other sources for private and alternative investments, as well as internally sub-advised accounts. Furthermore, their custodian typically provides an 'accounting' view, when what is needed is an investment view, or Investment Book of Record (IBOR) view, reflecting all positions at current or proxy prices.

The creation of this Total Portfolio View is left to Institutional asset allocators to assemble 'by any means possible' which is most typically with desktop tools: spreadsheets, proprietary data bases and data management tools. This is accepted as 'the way of the world,' and may even be viewed as an opportunity for the Institutional asset allocator to 'add value' with their distinct investment process.

However, imagine that the Institutional asset allocator could have a Total Portfolio View that is rendered and re-valued daily on a purpose-built enterprise technology platform with which to monitor and analyze that complete portfolio, manage complex asset allocation compliance constraints, model portfolio changes and enter buy and sell orders for investments in the context of each investment's particular trading terms, all from the same portfolio view.

Those orders would then be on-routed within the organization for review and approval, and then placed in the market, all from that single integrated end-to-end purpose-built enterprise platform providing workflow/process management and transparency for all the stakeholders in the investment process.

That capability might seem implausible, and it may be that no one is expecting it. Conveying that solution – the one that no one is expecting – is Milestone Group's current challenge. The first has been met.



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