



## WHITE PAPER

# *Bridging the Gap Between Process Transparency and Process Control*

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# Bridging the Gap Between Process Transparency and Process Control

## INTRODUCTION

Despite the changes brought upon by an increasingly globalized investor base, tighter regulatory mandates and a turbulent economic climate, one aspect of the asset management arena has remained constant, the continued reliance on manual tasks. This is not only inefficient but also increases a firm's financial and reputational risk. Identifying manual processes and having a system in place for monitoring them is an effective first step toward transparency, but true efficiency can only come with being able to change, correct and optimize your processes. In this paper, SunGard looks at how to advance beyond process transparency to full process control. We will look specifically at the area of fund accounting, where multiple steps, approvals and people make this function especially complex and difficult to monitor and manage.

Transparency and efficiency are both top priorities for today's asset managers and their administrators, but organizations seem to spin their wheels not knowing where to start. They find themselves asking - Is increased efficiency the way to increased transparency or is increased transparency the way to increased efficiency? The answer is, in fact, pretty simple - transparency must always come first. In order to be more efficient, you first need a certain degree of transparency into your operations. You need to understand what your processes are, which are manual, how they work, how they flow, what can be automated and how best to automate them.

This is right in line with where the industry is headed as there is a big drive toward automation. Asset management organizations are identifying those areas where manual activities still prevail and the need for automation is great. In this respect, the area of fund accounting is certainly a low hanging fruit ripe for the picking.

## FUND ACCOUNTING AND THE CHECKLIST PROBLEM

In every fund servicing organization within the asset management marketplace, regardless of its level of sophistication, specialization or client base, accountants rely on itemized checklists to outline the steps necessary to accurately calculate a fund's value. Every checklist specifies the appropriate set and order of tasks individuals must complete – specific to the type of fund involved – to arrive at its net asset value (NAV).

And while these sheets are instrumental in the day-to-day workflows of accountants and their managers, they are of arguably greater importance to those in supervisory roles. These managers must monitor tasks and ensure that all NAVs are delivered on or before the deadlines documented in the service level agreements (SLAs) of the servicing firm and the fund – and that all procedures are executed fully.

A number of different challenges stem from the use of these checklists, the majority of which are linked to the inherently problematic nature of these sheets and the processes surrounding their use. Because accountants usually manage multiple, paper- or spreadsheet- based checklists, and supervisors must oversee all circulating checklists to track the status of every fund, current processes often create cumbersome, manual models fraught with potential for human error, missed deadlines – and even penalties and other costs for failure to deliver daily NAVs on time.

## INCREASED OVERSIGHT IS CRITICAL

The need for greater organizational transparency becomes strikingly clear when one considers the vast array of people and processes involved in servicing funds and determining and delivering their NAV each day. Because these activities typically involve not only multiple departments within the company's walls but also sources outside of the organization and are subject to a host of critical SLAs, fund accountants and supervisors must account for a growing number of factors when attempting to effectively oversee daily processes.

For example, many fund families have turned to third-party resources for a large portion of their daily fund servicing activities. As Beacon Consulting Group notes, "an estimated 85% of fund managers have outsourced some or all of their fund accounting, fund administration or middle office activities."

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– Beacon Consulting Group

Given the rise in the popularity of outsourcing – as well as the media attention generated by recent market scandals – regulatory bodies have begun holding organizations accountable for the actions of the groups to which they contract such key services. This responsibility significantly ups the pressure on asset managers to more closely scrutinize the activities of their service providers and implement functions that extend the oversight used to supervise internal processes to third-party companies.

## ENSURING COMPLIANCE

It is imperative, then, that those responsible for ensuring both SLAs and regulatory compliance leverage systems that automate manual processes, drive efficiencies and deliver greater end-

to-end control. With such technologies at hand, companies can achieve the oversight needed to confirm that tasks are being performed in a timely, accurate and complete manner – and to prove to regulators that both internal departments and outsourced entities are following the correct procedures.

For example, with high levels of process transparency, supervisors are better positioned to track the status of daily NAV calculations, monitor problem areas and identify any outstanding tasks that may endanger an on-time delivery of the NAV. Such improvements can also simplify the act of verifying that external service providers are operating under required procedures and maintaining the necessary supporting documentation.

In this way, technologies that enable transparency and oversight deliver the timely data needed to better track and monitor key performance indicators (KPIs), which ultimately helps the organization make the requisite process improvements that increase efficiency and strengthen both SLA and regulatory compliance, reducing a firm's risk.

## PROCESS MANAGEMENT: A PROMISING SOLUTION

More and more organizations are regarding process management (PM) solutions as a viable option for streamlining processes, improving transparency and increasing control. PM-enabled technology is the right choice for asset management companies because it encourages the end-to-end management of people, processes and systems – including those employed and maintained by third-party service providers. Moreover, a process management solution is inherently adaptable and process oriented, which helps supervisors more effectively implement new tasks and take a holistic view of all procedures for greater transparency and control.

Process management can be used as the foundation for a solution that can provide not only process transparency, allowing you to monitor and observe your process statuses, but provide process control, which allows you to compare what you see to your objectives or benchmarks and take action. A good analogy is that of a thermometer versus a thermostat. A thermometer allows you to take the temperature, while a thermostat allows you to control the temperature. Having control transforms the act of observation into intelligent observation allowing you to make adjustments for immediate improvement and efficiency gains.

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## MODEL...EXECUTE...CONTROL...

One of SunGard's newest solutions Asset Arena Control Center, a software as a service offering, converts complex work processes into manageable electronic checklists and easy-to-read dashboards, giving users a centralized view of their asset servicing activities. By acting as the engine that collects relevant data, this PM-enabled solution groups the information into logical process

## THE INDUSTRY'S THOUGHTS ON PROCESS MANAGEMENT

In a recent study conducted by SunGard, 50 customers and influencers were interviewed about their views of the future of asset management. Approximately 40% cited process management as a key topic of interest and expect it to deliver three main benefits:

- Improved efficiency of daily operations
- Enhanced control over existing procedures
- Increased transparency into current processes for greater oversight, compliance and risk management

categories and transmits actionable procedures to individuals and departments across the business. A checklist wizard models the actions the organization must perform each day to satisfy the needs of clients and regulators alike. The solution then generates role- and user-specific work lists that departments and individuals can execute upon to accomplish their day-to-day tasks. The dashboard displays the current status of each of the tasks allowing you to determine where adjustments need to be made.

Given the interrelated nature of process assignments, work lists and task status, Asset Arena Control Center is instrumental in helping supervisors solve transparency concerns, control and optimize processes and more effectively monitor and manage individuals, departments and service providers – and ensure that SLAs are met in accordance with regulatory directives.

This type of solution has far-reaching implications beyond fund accounting. Ultimately, it may be applied to areas across the firm with similar process-based tasks. For example, monthly reporting processes, RFP management, financial reporting cycles, and Board reporting activities can all be managed through Asset Arena Control Center.

*Asset Arena Control Center is instrumental in helping supervisors solve transparency concerns, control and optimize processes and more effectively monitor and manage individuals, departments and service providers.*

## CONCLUSION

As the landscape of the asset management arena shifts toward an era of increased globalization, heightened regulation and sustained economic uncertainty, organizations are under mounting pressure to exert tighter control over the individuals, departments and service providers responsible for servicing their funds.

Thankfully, there are solutions on the market today that are designed with the express purpose of helping asset management organizations improve operational efficiencies, enhance control and increase transparency and oversight. The best of these offerings are lean, quick-to-market solutions that use process management as their foundation.

With the right technologies at their disposal, organizations gain the transparency and oversight to more effectively monitor and optimize processes, and prove compliance to regulatory bodies. In doing so, these companies will be better positioned to adapt to the evolving asset management marketplace – and turn the pressures for greater automation, centralization and control into a lasting competitive advantage.

[www.sungard.com/assetarena](http://www.sungard.com/assetarena)

### **About Asset Arena**

Asset Arena is SunGard's global suite of products and services for asset managers, institutional investors and traditional and alternative fund administrators. Asset Arena supports the core functions of the asset management industry, including investment management, investment operations and investor servicing. By leveraging technologies such as business process management and software-as-a-service, Asset Arena helps investment firms manage complexity, increase efficiency and reduce costs and operational risk, while maintaining agility to respond to changing business and regulatory requirements.

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SunGard is one of the world's leading software and technology services companies. SunGard has more than 20,000 employees and serves 25,000 customers in 70 countries. SunGard provides software and processing solutions for financial services, higher education and the public sector. SunGard also provides disaster recovery services, managed IT services, information availability consulting services and business continuity management software. With annual revenue exceeding \$5 billion, SunGard is ranked 380 on the Fortune 500 and is the largest privately held business software and IT services company.

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