Editorial

Data Democratization in Asset Management

Markus Lohmann

Dr. Markus Lohmann
Chief Technology and Data Officer
Allianz Global Investors

"Data is the new oil" is the claim often used to underpin the importance of data for business progress. In fact, in May 2017, The Economist reported that the world's most valuable resource is no longer oil, but data. But how can we effectively make use of data, in particular in regulated industries such as asset management?

The Traditional Way of Data Processing in Asset Management

Today, the "need-to-know principle" is the dominant principle to grant access to data within the investment and asset management industry. Requesting access to sources actively is the norm and, hence, only well-planned cross-functional data combinations (e.g., distribution inflow/outflow data linked to marketing campaign data) are analyzed, which leaves many insights uncovered. The blind spots stay huge while compliance functions are happy as this approach brings the easiest way to achieve regulatory (and business) compliance.

Data Democratization as the Current Paradigm

At Allianz Global Investors, we have turned the "need-to-know" principle upside down and implemented "Data Democratization" as our new access paradigm. All internal and external data sets are accessible by default by all employees, restrictions driven by regulation, like data privacy or license coverage, are applied nevertheless and are the only valid reasons for denied access.

Now, it's much easier to, e.g., link portfolio/ trade data, flow data, and input from marketing campaigns with third parties, e.g., sentiment data. Blind spots are becoming smaller and so-far hidden linkages of datasets become visible and generate new insights. This sounds easy but raises the question on how the semantics of the combined datasets remain meaningful and fit for purpose, so that, e.g., any client report is using settled trade data and not unsettled trade data.

Using Democratized Data Effectively Requires Strong Governance and Architectures

Data governance delivers most of the answers. While loads of combinations of datasets are technically feasible, it requires quality-driven modeling to create business-friendly views and a governance check whether the semantics of the combined sets are fit for purpose. Strict use of data dictionaries and catalogs facilitates exploring datasets. An approval process between users and owners of the datasets ensures that the intended use is semantically viable.

In addition, an architecture is required that offers a single access point to internal/external data. Onboarding data to the "access layer" follows a strict governance: Minimum standards on dataset definitions, data cataloguing, as well as ownership and stewardship are required at Allianz Global Investors. While in the past data ownership was mainly directed to the own consumption (e.g., products data for

the products function), the main task for owners now is to ensure adequate usage outside their function. Like oil, raw data is not valuable in itself: Value creation happens by connecting high-quality, well-understood, governed datasets, and by 'refining' into fuel that can power the business.

A Typical Use Case in Portfolio Decision Making Processes

At Allianz Global Investors, investments, data, and technology are the drivers of Data Democratization: For decision support systems, both systematic and fundamental research information are combined (e.g., portfolio holdings with third-party credit rating or ESG scores). In turn, the generated signaling data is stored back to the access layer to allow cross-asset-class reuse. Now, Data Democratization does not only allow better and deeper data analytics for individual users but also drives cross-functional collaboration. Hence, data truly becomes a driver for business success.