

# Pershing's affiliate, iNautix, releases new study for broker-dealer firms focusing on best practices for maximizing operational efficiency

Jersey City, N.J., United States 27 April 2009 ([www.biznewsselect.com](http://www.biznewsselect.com)) A new independent study published by Moss Adams LLP and iNautix (USA) LLC, an affiliate of Pershing LLC and unit of The Bank of New York Mellon Corporation, found that operationally efficient broker-dealer firms are able to support more investment professionals, achieve higher levels of productivity and generate more revenue per employee. The report emphasizes that given increasing competitive pressures, new regulatory requirements and challenging market conditions, it is critical for broker-dealers to continue enhancing their operational infrastructure and processes to achieve long-term growth.

The study, entitled *The Art of Efficiency: A Holistic Approach to Operations*, analyzes characteristics of the most efficient and profitable broker-dealer firms to provide best practices for developing an efficient platform. According to the report, the overall success of broker-dealers will be defined by the effectiveness of interactions between processes, people, technology and product strategy. The most critical elements to achieving operational efficiency include:

- *Highly efficient firms are placing a greater emphasis on process management* — Broker-dealer firms best positioned for future success are measuring processes, streamlining workflow and shifting more responsibility to investment professionals who are in the field. According to the study, firms that initiate more processes in the field have significantly lower not-in-good-order (NIGO) rates and are able to process new accounts faster and more efficiently;
- *Effective technology integration is crucial to enhancing operational efficiency* — Processes that lack automation and are too paper-intensive are viewed as the most significant operational challenges facing broker-dealer firms today. Where technology falls short is not so much in the technology itself, but rather in its implementation and how it is used. For example, while 90% of survey respondents have a document imaging system, only 30% of them leverage workflow technology to completely automate the new account opening process. While integration of technology systems has its challenges, the rewards are rich for those firms able to achieve it. The study shows that firms with a higher percentage of integrated systems had lower overhead expenses, more favorable NIGO rates, faster processing times and greater staff productivity;
- *Designing an organization around operations will help to enhance client satisfaction* — Tying home office compensation to operational goals, such as lower NIGO rates, is one strategic way to make operational excellence an integral part of the overall business strategy. To help ensure the end client experience isn't jeopardized, the report recommends implementing recognition, compensation and training programs that align the interests of both the home office and branch office to help reinforce desired behaviors; and
- *Being all things to all people is a strategy that rarely works well* — The solutions and services a firm chooses to offer its investment professionals and clients can impact a broker-dealer's efficiency. Inefficiencies can result from too many capabilities being offered, as well as increased costs for due diligence and systems maintenance. The study shows that top-performing firms are imposing limitations around their product strategy, such as mandating that advisory accounts be opened with specific custodians and offering fewer separately managed account managers.

Suresh Kumar, chief executive officer of iNautix USA, said, "Broker-dealer firms are standing at the crossroads of an operational transformation. They must think strategically about ways in which they can optimize their operational processes, human capital and infrastructure to achieve higher profitability and long-term success. Firms that take these actions will competitively differentiate themselves and be in a better position to devote more time to helping clients fulfill their investment objectives."

*The Art of Efficiency: A Holistic Approach to Operations* was commissioned by iNautix USA and independently executed by Moss Adams LLP. It draws on data submitted by 23 broker-dealers through an online survey conducted during the summer of 2008. To receive a copy of the study, please contact iNautix at 1-866-355-5551 or [www.inautix.com](http://www.inautix.com)

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