# Incubating Technology

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We live in a world of rapid technological change. It's an intensely competitive landscape that requires constant innovation. This environment requires us to evaluate our technology stack in a quest to determine where we should buy, where we should build, and where we should partner. And that process brought us to incubators and accelerators.

**Global Changes Drive Firm Changes**

Data is so important in financial services. This isn't necessarily new. For years now, asset managers have been focusing on analytics, seeking to quantify information to inform and improve processes and relationships.

How can we surface that information sooner? More importantly, how can we use advanced technology to understand the companies in which we invest and our clients? There's been a shift in focus from getting the data to understanding the data.

We, like most firms, have significant legacy systems and data, which I think of as a jumbled ball of yarn. The question is, how do we modernize without untangling everything? Moving to the cloud is a layup, but it's not that easy when you pull from multiple databases and data sets. It's a tangled web to work through.

In addition, we're a global asset management boutique, meaning we must compete with the capabilities of larger competitors using the resources of a specialized firm. It's simply not possible to rely on internal skill sets alone.

When Stephanie Braming took over as global head of investment management in late 2017, she asked me to look at how we were building out technology solutions. We're always looking to improve our technology stack. But more specifically, one area Stephanie wanted me to focus on was emerging technologies, and to ask whether it was better to buy or build.

As I started to think about the "buy" part, I recalled the way we acquired technology in my previous roles, which was via a vendor agreement and license. I found that to be stifling, because we took what we were given, out of the box. Often, to get value from these technologies, we had to customize them at significant expense.

So I started to think about buying versus building differently. What if we could partner with someone to do something more customized at less expense? After doing some networking, I became familiar with the notion of partnering with startups, and began looking at incubators and accelerators.

**Beginning the Process**

We decided to focus on accelerators. Although the terms are sometimes used interchangeably, incubators and accelerators serve different purposes. Incubators nurture startups over long periods, providing real estate and ad-hoc assistance, such as business and legal services. Accelerators go a step further, offering mentorship, connections to investors and business partners, and sometimes even capital.

In beginning this process, we took a much-needed step back. Before reaching out to an accelerator, we had to connect internally to identify questions we were trying to answer or problems we were trying to solve. It forced us to hone in on the most critical areas and define our highest priorities.

We took those problems and questions to an accelerator (in this case, Plug and Play), and through its network, began to identify startups that could help us work through some solutions. The incubator facilitated introductions, and we held initial meetings with a number of startups to get a better understanding of what each offered and determine if there was alignment with our needs.

Once we had some viable contenders, we began proofs of concept (POCs), which are pilot projects designed to demonstrate if a startup concept is feasible. We decided how we would approach the challenge, set a timeline (usually 30 to 60 days), defined milestones, and specified who would be involved at both the startup and William Blair.

**Key Benefits**

There are a number of benefits to this approach.

First, it allows us to augment our team. As I mentioned, in today's world of rapid technological innovation, we simply don't have the internal skill sets or budgets to rely solely on internal resources alone. By casting a wider net and broadening our peripheral vision to businesses outside our industry, we gain access to intensely creative individuals.

Second, it facilitates networking—not just with the startups we are considering, but with peers who are struggling to solve the same problems.

Third, it allows us to test emerging technology quickly. This is particularly compelling when it comes to technologies we are not sure we have use-cases for, like artificial intelligence (AI), natural language processing, and machine learning.

Ultimately, working through a POC with a startup gives us what we need faster than building it from scratch and cheaper than buying it. This contributes to our ability to achieve our strategic technology goals and business objectives, which helps us accelerate growth.

**Easing the Process**

I was surprised by how easy it was to work through a POC with a startup. I anticipated a lengthy, complex, and challenging process. But our incubator helped us define a process, and internally, we made sure our teams were receptive.

The first priority was addressing the internal culture, and that occurred primarily through stakeholder management. We wanted to create a culture of excitement and momentum, and get people to believe in what we were doing.

To do that, you have to get buy-in. That's not easy, and there's no perfect way to do it. But I learned that it's key, particularly when dealing with innovation, for the people who have challenges to identify themselves and their pain points from the beginning. What do **they** think could be solved with a new technology?

When it's forced—when I have to bring someone an idea, when I have to say something could be improved—it doesn't work as well. People have their workflows. If they're not asking for those workflows to be changed, why should they care? They're busy; they don't want to be disrupted.

But if you can engage your people and they can help decide to shake things up, it's a much better process, because they then become integral to every aspect of the POC. They join me from the beginning—defining the pain points, meeting with startups, deciding to move forward with a POC, and engaging people on their teams to participate.

**Defining Success**

We've worked through a number of POCs since I began this process in 2017.

Two focused on environmental, social, and governance (ESG) factors. One involved applying natural language processing and AI to the data we have to better utilize that data. The other helped us pull in new types of data to look more intently at climate risk.

Another focused on marketing analytics—getting and using data for a more targeted approach. We wanted to fine-tune our interactions with prospects and clients, focusing more on their interests, and this POC sought to show us how we could use the data we were obtaining to do so.

We also did a POC that focused on search technology—specifically, helping investment teams access the news (research reports, trade journals, blogs) more efficiently. This POC was so successful that we've moved from a POC to a commercial arrangement.

Not only have we been broadening POCs to commercial arrangements, we've also started to explore investments in the startups we've been working with.

But we don't define success as a POC that moved to commercial relationship. That's certainly a success, but it's also a success if the POC didn't work for our process but it taught us to think through other ways to solve the problem.

We also maintain connections with startups that don't move beyond the POC stage, and sometimes that results in a new POC. For example, we did a POC with a startup two years ago that didn't move forward; it was too early. But we've now kicked off another POC with the same startup, because the technology improved and the business evolved. So POCs are not a one-and-done type of situation.

**Lessons Learned**

Working through this process, the key lesson I learned was that while a structured approach is important, we ultimately have to let the startups do their thing.

In the beginning, we made the mistake of being too prescriptive. We defined what we wanted done and how to do it. I think that's natural: We wanted to control each project to ensure it was successful.

But we learned quickly that this is not the value startups bring. We're using them for their creativity. Some work in other industries and are expanding into financial services, so they can add value from those experiences. They may not understand the details and nuances of our industry, but they bring creativity that we may lose sight of as we dive into the granular details of our day-to-day work.

Ultimately, this process allows us to strategically invest in technology solutions that bolster decision making, improve insights, and drive operational efficiency and accuracy.

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