

## Bridgewater Moves to 'Revolutionize' Ops Functions

By Lydia Tomkiw April 17, 2019

Bridgewater Associates is betting on artificial intelligence, automation, and technology in a way most hedge funds haven't – to reimagine the back office.

The hedge fund, the world's largest with approximately \$160 billion in assets under management, announced its strategic servicing partnership with professional services firm Genpact at the start of the year focused on human resources, recruiting and finance. Nearly a month into the partnership, the two firms discussed the model they've created, what it could mean for the broader asset management space, and the challenges of recruiting.

Bridgewater was looking for a partner to bring artificial intelligence and digitization to the human resources, recruiting, and finance spheres to "co-reinvent" the ways these areas are looked at, says Eileen Murray, Bridgewater's co-CEO, who spoke during an interview at the firm's Stamford, Conn., office where Genpact has also established a digital hub.

"I looked at these areas and thought, 'Hmm, I wonder if there is something we could do here if we have a great strategic partner.' And [I] didn't want to do [it] the way this is traditionally done in outsourcing," Murray says. "I wanted it to be done in a co-inventing relationship with a partner who knew that this was strategic to ultimately, I believe, revolutionize the way these functions are handled in financial services broadly, basically by in large starting with hedge funds."

After discussions with five different companies, Bridgewater picked Genpact and the partnership kicked off on March 18. Bridgewater filed a Worker Adjustment and Retraining Notification Act (WARN) notice with the state of Connecticut on Jan. 16 saying it anticipated that 197 Bridgewater employees would be impacted, with all being "offered continued employment at Genpact." Murray says that nearly every person offered the opportunity to move on took it.

Bridgewater has committed to creating as many as 750 new jobs in the state of Connecticut by 2021 as part of the state's First Five program, which involved both direct assistance and a tax credit, as previously reported.

While now officially Genpact employees, the people who came over will continue working on the Bridgewater business, says Arvinder "Monty" Singh, global business leader at Genpact for capital markets and IT services.

"It's unique that it's actually a different business model, which means you have HR, finance, IT. But now we are going to look at how onboarding works, how reconciliation works. When that model is unique, I think it can go to multiple industries," he says of the partnership with Bridgewater. Genpact is "retraining" and "reskilling" employees as part of the process.

While down the line these Genpact employees could end up working on assignments for other firms and projects, for now the focus will be on making Bridgewater successful, “before we do anything else,” Singh says.

Murray, who had previously led Bridgewater’s 2012 middle-and back-office partnership with Bank of New York Mellon and Northern Trust covering clearance and settlement functions, says the Genpact partnership will help Bridgewater in cost savings.

“In this transaction, if you look at...the cost of doing it separately, the traditional way, versus this consolidated way, it’s cheaper for sure in the short term,” she says. “[G]iven our partnership, our shared values, our shared focus on employees, retraining, so on and so forth, I believe over the long haul it will be cheaper as well.”

Hedge funds have been furiously fighting for talent in recent years, with hiring and retention steadily rising up the priority list for many alts managers.

“I think that the biggest challenge is the war on talent,” Murray says. “I think that diversity and inclusion is an incredibly important pillar of that. It’s something that companies that are going to do well are going to continue to focus in every part of their business.”

As part of the partnership, Genpact will work with Bridgewater in the recruiting process, managing data from resumes and collecting feedback on interviews, among other functions. Murray says she doesn’t foresee the hiring process becoming completely automated, and adds that Bridgewater will continue to use external recruiters. “I think you’ll always have people involved-there is always going to be some judgement,” she says.

Part of the partnership will involve creating a workflow bringing together data that lies in different parts of Bridgewater. “We are putting the whole data [set] together where it lies in one central place,” Singh says, adding it could then be used to solve for different things.

Murray says she remains open-minded to seeing the partnership expand. “I think a lot of it is going to be the power of the analytics that is facilitated by automating things that should have always been automated, at least in this day and age, converting that data into information that can be acted upon to basically make better decisions. And once you have that piece done, you say, ‘OK what other areas?’” Murray says.

Even at hedge funds that have seen good returns in recent years, institutional investors have pushed the spotlight onto returns and costs, says Erik Gordon, a professor at the University of Michigan’s Ross School of Business.

“It’s a strategy 101 question: What should we be doing in-house and what should others be doing?” he says.

“It’s a smart move for someone like Bridgewater,” he adds, noting that hedge funds should be focused on putting their spending toward “figuring out what is going on around the world, and getting better returns.”

Companies have adopted strategic partnerships across many industries, but not as widely across asset management, where many firms initially decided to run various aspects in-house, says George Wilbanks, founding partner of executive recruitment firm Wilbanks Partners.

“It’s a logical thing to happen,” he says, noting the industry’s focus on efficiency the last few years. “We are destined to see more of it.”