

Armstrong Wolfe

The Power of Collective Ambition

New York COO Dinner

**Summary of Discussion held on
21st May 2024 at The Yale Club, NYC**



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Cost Management: An Organizational, Leadership, or Management Challenge?

Tone from Leadership

Leadership plays a crucial role in setting the priorities for cost management, balancing return on equity, headcount, and revenue growth. One perspective emphasized that leadership must decide how the business will be run, with transparency and accountability being essential.

The cultural aspect was also highlighted, where being held accountable for returns instills discipline, making cost management a leadership-driven initiative.

Transparency from the top, including direct versus indirect costs, is vital. Leaders must work closely with COOs to set goals and make informed spending decisions. Discussions on cost should be frequent and involve all relevant stakeholders to ensure alignment and accountability.

Market, Regulatory, and Macroeconomic Influences

Spending decisions are significantly impacted by market conditions, regulatory requirements, and broader economic factors. Regulatory reporting, for example, is non-negotiable and must be done correctly to avoid business risks.

Firms must also navigate cultural differences in spending attitudes, such as the more flexible budgetary approach observed in some non-US banks. Visibility and accountability in spending are critical, with some firms facing challenges due to a lack of transparency or timely information from home offices.

Sound Data Management as an Enabler

Effective data management is a key enabler for cost management. The ability to see and understand costs allows for better decision-making and accountability. Some firms struggle with poor visibility and accountability in their spending, which hampers their cost management efforts.

The conversation highlighted the importance of post-project analysis to ensure that investments are yielding the expected returns.

Additionally, the cost of data management itself is a consideration, with the need for negotiating favorable terms with vendors and ensuring that the value of each technology or service is clear.

“The timing of AI investments is also critical, with some arguing that the time to invest is now.”

Does AI Provide a Solution to Cost Management?

AI presents both opportunities and challenges for cost management. While the cost of AI, particularly in terms of compute and electricity, is a concern, its potential benefits are significant.

AI can enhance transparency and efficiency, particularly in areas like surveillance and documentation and legal analysis. However, firms must decide whether to develop AI capabilities in-house or leverage external solutions. Banks that have lagged in data management need to catch up, as AI can play a crucial role in improving data quality and management. The timing of AI investments is also critical, with some arguing that the time to invest is now.

In conclusion, the consensus from the discussion is that leadership is the most critical factor in effective cost management, followed by organizational and management aspects.

The group agreed that strong leadership is paramount in setting the tone, ensuring transparency, and driving accountability throughout the organization.



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