Sales Workflow Systems in Fixed Income: Some Assembly Required

By Ruby Saleh & Barry Goldenberg (October 6, 2016)

As has been well documented since the financial crisis, the growth of the corporate bond market coupled with sell side balance sheet constraints have made it very difficult for dealers to meet their clients' institutional liquidity needs. Today's market is fundamentally different from the past and therefore dealers must adjust their market making strategy to focus on completing more block trades on an agency or riskless principal basis. Successfully transitioning to a minimal balance sheet market making strategy is directly dependent on the dealer's ability to match buy-side orders against their inventory or other buy-side orders.

In this new corporate bond market environment, pre-crisis market making practices are too disjointed and uncoordinated to be effective. Simply put, it is no longer acceptable business practice to have salespeople capture and "store" key information like client inquiry, client holdings and desk inventory in proprietary spreadsheets, notebooks or worse, their short term memory.

Without proper organization, maintenance, socialization and dissemination of critical market making data, profitable trades are missed. Given the recent performance of even the bulge-bracket corporate bond dealers, every potential money making opportunity needs to be identified and explored. But how?

Sales Workflow Platforms: Solution or Mirage

Technology in the form of Sales workflow systems (SWS) are promoted as the ultimate solution to enhancing corporate bond market making performance. SWS's are software tools that are designed to function as a 'firm-wide electronic notebook' by enabling salespeople to efficiently capture, recall and (internally) socialize client information.

In theory, once the right sales technology is in place, a dealer will be able to create trading synergies by matching previously elusive information against desk inventory and new client inquiry, thus generating more trading activity and profit.

In practice, reaching this nirvana has been proven to be an immense challenge for market makers large and small.

Buy vs. Build

Over the years, many dealers have attempted to build their own proprietary versions of SWS, but in almost every case the results have met a Hindenburg-type fate. Tens of millions of dollars and countless technology man-hours have been wasted chasing the dragon that is the perfect application. In the end, many dealers have realized that what looked like a simple workflow tool is actually a very complex application that requires diligent planning, design and outside experience.

Key Vendors

The first commercial SWS, Codestreet's Teamwork (recently acquired by Tradeweb), was available as far back as 2007. Most recently, other vendors like Algomi (2012), Bloomberg DASH (2014) and MarketAxess Sales Alert (2014) have produced platforms with differing protocols, while maintaining a singular main objective, improve corporate bond market-making performance. Unfortunately, despite the abundance of these market solutions, SWS's have yet to transform any of the corporate bond dealers that utilize them into the efficient, synergy-capturing, riskless-principal-trading powerhouses that they want to be. The main issue seems to be a lack of wholesale adoption within the dealer and this result poses a very interesting question: are these platforms poorly designed or is there something else at play?

The Same As It Ever Was

In the age of 3-D printing and right-swiping your way to a soul mate, bond salespeople still cling to analogue phones and 80's bands. When it comes to technology, corporate bond trading floor culture remains insular. The decades of antiquated business practices and cultural myths have created a material adoption barrier for Sales Workflow Solutions. Without identifying the causes of adoption failure and devising solutions for implementation, even the best SWS's begin to resemble those unused apps on your smartphone. The icon is there, but you don't remember what it does exactly.

Key Adoption Obstacles

- **Fear**
  The World Economic Forum estimates that robots will replace some five million jobs by the year 2020. Corporate bond sales people are afraid that this may be their reality in the near future, so as a result they play defense when it comes to new technology solutions. The strategy is quite clear. You won't be replaceable if you never use the technology in the first place.

- **Training**
  Even sales people that are open minded about using new technology require adequate and consistent training to optimize the functionality of a sales workflow system.

- **Business Metrics**
  Is the sales workflow system making a positive impact on your market making business? Who knows? Without adopting objective business metrics to measure the performance impact of the platform, it is not possible to understand the technology's true value.

- **Management**
  Sales and Trading management must appropriately mandate that salespeople assimilate the sales workflow system into their daily workflow. Without clear expectations and consequences, the likelihood of meaningful adoption will be low.

Turning BlockBuster into Netflix

They key to optimizing sales workflow technology, be it proprietary or licensed, is to develop and execute a customized implementation plan. The major components of this strategy are:

- Educate – Helping salespeople understand that the platform is NOT Skynet
- Train – Providing consistent tools and support to assist usage
- Incentivize – Creating powerful incentives to encourage adoption
- Measure – Establish a method for measuring business impact
- Monitor – Review usage data on a regular basis

With proper planning, some experts estimate that adequate desk adoption of a SWS takes anywhere from 12 to 18 months, AFTER installation. This may seem like a long period of time to some, however, transforming your business does not happen overnight. In fact, without the right strategic implementation plan, it may not happen at all.