

# Forbes

## TECHNOLOGY

### Ares Management's CIO And Chief Risk Officer Drives Extraordinary Growth

BY PETER HIGH  
CONTRIBUTOR

**A**nn Kono wears a lot of hats at Ares Management, the \$1.2 billion revenue (and \$3.9 billion market capitalization) alternative asset manager. She is a Partner and Chief Information and Risk Officer of the company, and she is a member of the Management Committee of Ares Management. She also serves as Vice President of Ares Dynamic Credit Allocation Fund, Inc. and CION Ares Diversified Credit Fund. She additionally serves as a member of the Ares Operations Management Group and the Ares Enterprise Risk Committee.

Kono's ability to push to other areas beyond IT can be traced to her roots in Finance (she has a BA and an MBA both with Finance as the areas of focus), and in consulting, where she became passionate about solving difficult and varied problems for clients. Her financial acumen and customer focus have served her well in building an IT team that adds to both the top and bottom lines of the company. By having responsibility for innovation activities while also serving as the company's first ever risk officer, she helps ensure the company balances both perspectives well.

During her more than ten years with Ares, she has helped usher in remarkable growth, moving the company an order of magnitude forward from a revenue perspective, and ensuring that technology remains modern, reliable, and flexible. She shares her perspectives on her journey, the many hats she wears, and more in this interview.

**Peter High:** Ann, you are a Partner, the Chief Information Officer, and the Chief Risk Officer at Ares Management. Please describe your responsibilities.



Ares Management Partner, Chief Information and Risk Officer Ann Kono

**Ann Kono:** My responsibilities have evolved over my last ten years at Ares. I started off managing technology and then quickly took over the investment operations functions. My risk responsibilities began about seven or eight years ago, when we developed an enterprise risk function during the financial crisis. We started with operational risk to create the business resilience that was needed for a large-scale multinational firm. Then, we added information risk, which encapsulates information security and cybersecurity. Finally, we added investment risk, which is core to our offering.

In the last three years, I have also taken on responsibility for what we call the “middle office,” which is the bridge between our investment professionals and our operations professionals. Within our industry, the role of the middle office is to enable the transition of assets between the two parties that are buying and selling transactions and assets within the marketplace.

My most recent set of responsibilities resulted from us brainstorming how to optimize high scale, high volume, operational processes. We developed a group called Global Shared Services. The first function within that is Accounts Payable. As we begin to talk, you will see how technology enables all the functions within this group and how we leverage technology to make these functions more efficient.

**High:** What is the rationale of having IT and risk together?

**Kono:** In many ways IT and risk are naturally complementary. We use technology to help our investment professionals see the signal within the noise. Anyone that has dealt with data at volume understands that you cannot look at a Microsoft Excel spreadsheet with hundreds of thousands of rows and see the trends within that massive amount of data. To see the opportunities in the data, we apply data visualization tools, such as Tableau. They help move us from a fundamental, low volume,

data analytics capability into something that is high volume and allows us to get through more data. There are commercial tools available for our industry, but we need to overlay those because our company is comprised of both public assets, with data available through third parties, and private assets, where data comes directly from companies with heterogeneous sources that are not normalized. Our team helps normalize that data.

**High:** You mentioned this is a new function, where did you look for models or examples of what to do? Whose counsel did you seek?

**Kono:** It was entrepreneurial, which is the culture of Ares. We recognized that portfolio managers were struggling to support our continuing growth. When I started ten years ago, we had around 30 portfolios. Now we have over 200, and our asset base has gone up tenfold. To scale our investment professionals, who are the most important population within our company, we needed to figure out how to get them through more data, more quickly, so they could make high quality analyses. Our team is comprised of innovative financial engineers from leading universities around the country that merge technology and data analytics together to develop tailored solutions for our investors. We always create solutions that are size and maturity cycle appropriate for the company. We were not looking to create a program trading solution that was appropriate for a hedge fund type of a firm. Our company tends to go deeper and narrower.

**High:** Is this something that you would advise others to consider? Is the value that Ares has experienced by having a single individual over both IT and risk, and therefore having commonality in processes in these areas, something that would apply across other organizations?

**Kono:** Definitely! Technology is a spark for innovation and efficiency. It also helps us remove some of the mundane compo-

nents of our roles so that we can step out of the box to see the signal in the noise and observe the trends within the data. At the end of the day, the data tells you the recipe for success and should drive the direction of the organization. For instance, technology can help us see trends in sales and reveal consumer interest in a certain topic or product by analyzing consumers’ use of social media.

A company needs to be willing to take chances and risks. The way we do it at Ares is through pilot concepts. We look for an internal business partner or user that has a business issue. Most often, they come to us; our demand is higher than our supply. We do rapid turnaround development around the issue with short and quick sprint deliverables. For instance, a business partner will say, “I am bringing a new product to the market. How do you think I can manage this in an efficient way?” For us, a new product is a new type of fund. Or they might say, “Here is something that we are doing. How can we do it better?” We come together and brainstorm to see if there are new technologies that we have rolled out for another segment in the company that can be utilized. Or, if there are trends that we are observing outside with public asset managers that can be applied. Currently, we are piloting a tool called “Relationship Science,” which is essentially an intelligent LinkedIn. When we are doing diligence on a company that we look to invest in, by putting the firm’s name and our firm in Relationship Science, we can see who within our 1,000 employees has a connection to that company; whether it is with someone on the board of trustees, the CFO, CTO, or the CIO. Then, we use these relationships to gather insider insight into what they think about their company. This is all public information. We figure out how to merge potentially consumerized technology to make our investment process more intelligent.

We also focus on making our business operations functions more efficient. As we have scaled and become public in

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the last three years, there is certainly an increased focus on margin and expense management. We want to continuously drive efficiency in the support functions to the tune of three to five percent a year.

**High:** You mentioned your involvement in several areas of innovation. There is an interesting paradox with innovation and risk. A balance is necessary for ensuring the organization is not overburdened or out of whack in one direction or the other, as there could be disastrous implications for either of those. How do you support and drive innovation while mitigating risk?

**Kono:** It is something we struggle with. I think about it in two buckets. In one bucket, is our must-dos, which includes things like our network, our core switches, cybersecurity, producing accurate numbers every day, and moving payments from an Accounts Payable perspective. These are areas that we do not take risk in; we test and remain rigorous. The other bucket has the areas where we add value and create innovative solutions. In those areas, I ask the team to act fast and fail fast. That is the type of culture I have tried to create. A couple of years ago, people might have thought, "I am not sure you mean what you say. Am I going to get penalized if something negative happens?" That is what led to these quick pilots and turnarounds. We take six or eight weeks to pilot an idea and to see what our user base feels about it. Then we create rigor around it and turn it into a full-fledged production system.

I create a culture where people who are specialists within their functions are free to suggest changes. Then we take them and help them bubble up in the right way to the management team. They make the decision to take the risk or not. Ares has great professionals who live and breathe cybersecurity who bring ideas to the table. In fact, we were barely affected by WannaCry because of a team member's innovation. In the fourth quarter of 2016, one of our die-hard cybersecurity professionals

proactively patched our endpoints and pushed a lot of the protection out after examining some of the leaks with the NSA, which WannaCry was a permutation of. Consequently, when WannaCry came out, we had some patching to do on the edges, but for all intents and purposes, we were 90 percent protected.

People outside the function can suggest solutions for technology, as well. Ares has many innovative people who think outside of the box. A few years ago, for instance, somebody in the risk team came to me and argued that we needed to harness our investment data better by harmonizing and normalizing the data to see themes and trends. He was close to the delivery point and knew that we could not keep delivering static data. We needed to have interactive data to respond quickly to changing trends. At that time, we were doing a lot of mergers and acquisitions. Normalizing data across two or three acquisitions a year is difficult. These conversations led to us introducing data analytics and data visualization across these disparate and heterogeneous data sources. We moved from static once a week reporting to daily static reporting, and now, to interactive data.

**High:** You have been with Ares Management for a little more than a decade. The organization has experienced extraordinary growth during that period. Moreover, the technology landscape was quite different a decade ago. How do you think about planning ahead of such enormous growth and change from a technology perspective?

**Kono:** You have to be humble, you have to be constantly curious, and you need to be willing to learn. CIOs tend to focus primarily on internal business issues. However, when we step out and look across, we can learn from our peer firms that are facing the same exact issues. Moreover, we can learn from people outside of our industry. Frankly, there are industries that are dealing with much higher volumes of data and higher demand for immediacy of data analytics.

To your point, ten years ago, there were not many financial services firms comfortable with cloud solutions, web storage, or virtual servers and data centers. However, that is exactly where we need to be to drive our strategy. As technologists, we should focus on how our core competencies and strategic advantages create value for our organizations. How do we proactively provide technology solutions to our firms? Technology is moving at a much faster pace, with higher acceptance, and with more intuitive solutions. We cannot be so focused and heavily committed to capital expenditures when we are trying to drive and create value constantly.

**High:** You work in what is referred to as Silicon Beach, which is the innovation corridor here in Los Angeles. What are your thoughts about this environment from a technology perspective?

**Kono:** I came to Los Angeles 17 years ago when the area was experiencing a dotcom boom. It is great to see the current resurgence. I am trying to create a similar culture to that of Silicon Beach, one of collaboration with an injection of fun when possible. Part of having fun, comes from the freedom of not boxing people into roles. I try to ensure that we have as flat an organization as possible. We learn a lot from the Silicon Beach culture. It helps us to become better leaders and mentors. People determine the success of a team. Unfortunately, besides learning from Silicon Beach, we are also competing against other companies in the area for talent. Our greatest challenge is identifying people who can spark change within our industry. Our financial taxonomy is different from other industries and it is not always easy to understand; the learning curve and ramp up time here is steep. This means that we need people who have a high aptitude to learn quickly and can apply their past experiences to our specific environment to drive change. They also have to *communicate* how to drive change and the value that can be derived.

**High:** As you look a few years out, are there certain technologies that are making their way onto your strategic roadmap that your team is beginning to investigate?

**Kono:** We are investing heavily in unified communications. We have 25 offices around the world, and [these solutions] help us bridge the distance and enable idea sharing. One of the mottos of our company is that we have the “Power of the Platform.” We enable the it through information sharing. We are all comfortable with passive instant messaging, texting, and e-mailing, however, those types of communication often extend the life cycle of a conversation unnecessarily, and you do not always get the three-dimensional conversation that should happen. We believe that when you see somebody face-to-face it is a more engaging and richer interaction. We are rolling out technology that allows people point-to-point, and even from their mobile devices, to talk to each other via videoconference. We are piloting that in the next couple of months and will roll it out globally over the next year.

The second and most important project on the application side of technology is data management. In our business, this means understanding the assets that we manage for our clients and the themes that are in the data. Also, understanding our investors, they are our client base. How often have they invested with us? What has their success and performance been with us? What might they be interested in from a CRM perspective? When we go and launch new product will they be interested in it?

That is the water that should be flowing through the pipes and enabling everybody to do their job better, across the company. That will enable us to have synergy with every upcoming acquisition or firm that we merge with. When we were a much smaller regional company that was not as relevant. Today, we need that core normalized data repository for us to all do our jobs.

The last item is robotics and natural language processing. We are exploring how we can use artificial intelligence for predicting trends but also for mundane things such as processing 10,000 invoices. For instance, if we have received an invoice from a vendor before, and coded and processed it in a certain way, and routed it to a certain person. Why does a human being need to do that twice? A robotics piece of software should be able to look at the invoice and do it exactly that way and with much more accuracy and predictability. I am excited because each of these things can change how we run the business.

**High:** You are a great example of a woman in technology; a sorority that is growing. Were there people that influenced you in the early stages of your career or helped you on your path? Likewise, what do you see as the state of the union for women in technology today.

**Kono:** My best advice is to identify a willing mentor in the beginning, be clear on what your interests and objectives are, and deepen your skill set. These things will create chances and opportunities. It is up to the individual to take them.

Today, there are many people who are willing to give opportunities to women in technology. Women are graduating with technology degrees at higher rates and tech firms are recruiting appropriately. The challenge, for us, is that we continue to offer support and opportunities for women throughout the lifecycle of their careers. We must provide opportunities for women to participate at the level that they feel comfortable and provide opportunities for advancement. 

### Peter High

I am the president of Metis Strategy, a CIO advisory firm that I founded in 2001. I have advised many of the best chief information officers at multi-billion dollar corporations in the United States and abroad. I've written for the Wall Street Journal, CIO Magazine, CIO Insight, Information Week and several other periodicals. I am also the author of *Implementing World Class IT Strategy: How IT Can Drive Organizational Innovation* (Wiley Press, September 2014) and of *World Class IT: Why Businesses Succeed When IT Triumphs* (Wiley Press, December 2009), a book on leading IT practices that has sold over 15,000 copies around the world. Since 2008, I have moderated a widely listened to podcast entitled “The Forum on World Class IT,” which features a wide array of IT thought-leaders, and is available at [www.forumonworldclassit.com](http://www.forumonworldclassit.com) on a weekly basis. I have been the keynote speaker at a host of corporate conferences and universities in the US, Canada, Mexico, the United Kingdom, the Republic of Ireland, the Czech Republic, Spain, China, India, Australia, and Saudi Arabia. You can reach me at [peter.high \[at\] metisstrategy.com](mailto:peter.high[at]metisstrategy.com) or on Twitter @PeterAHigh