



The evolving role of technology within commodities

12 JANUARY 2021

In recent years, we have witnessed a real cultural change in how businesses view their technology department. Rick Lee, Director - Technology and Innovation Search at Human Capital, explores the new breed of IT leadership that has emerged as a result of these changes and the subsequent recruitment challenges involved.

With the emergence of data engineering/science, and technological advancements in areas such as real-time analytic platforms, companies are increasingly seeing technology as a way to improve their revenue generating capabilities, if not diversify into new revenue streams altogether.

As such, we are seeing the emergence of a new breed of IT leadership who are increasingly expected to play a far greater strategic role in the overall operational running of the company. This naturally means identifying those technical individuals that have largely held business facing remits throughout their career, so as to fully understand the evolving needs of the business as a whole.

Reporting lines for CTOs and CIOs are changing too. Traditionally, it would not be uncommon to find tech leadership reporting into a company's CFO. Now we are seeing those internal structures change, with these individuals reporting into COOs or even CEOs in smaller to medium-sized organisations.

Boosting revenue

The traditional trading desk has itself become more complex as it seeks to embrace technological advancements. It is now common to see embedded IT along with data scientists and quants working side by side with the traders and analysts.

Some organisations have gone a step further by blurring the lines completely, through hiring developers and engineers onto trading desks who they hope one day will act as more of a hybrid developer/trading analyst. This trend is particularly common with those organisations that are looking to embark upon systematic and algorithmic trading. This is something we have seen with several utilities across EMEA these past 12 to 18 months.

This emerging trend of creating a hybrid technical/business facing developer will lead to new and more complex recruitment challenges when these companies decide to go to market. The pressures of the front office, such as taking risk and being responsible for a desk PnL, are not traditionally felt by those holding technology positions. Determining whether someone will be suited to coping with those types of pressure is not something that can be judged by looking at a resume.

As this is still not a common practice across the commodities industry, it will be interesting to see if companies are forced to look to other more advanced industries, such as banking and finance or the hedge fund space, for their talent.

We are observing within those organisations that are embracing these newly defined roles that technologists can play, efforts are being made at the leadership level to combat cultural challenges internally and remove past stigmas. The goal of this has been to ensure that these technologists are rightfully compensated for their efforts in proactively adding value to the desks PnL. This is easier said than done as there have been many decades of divisions between the business and IT when it comes to remuneration.

Due to this emergence of what could be described as 'Grey-IT', where the traditional lines of technology and the business are blurred, companies are seeking innovative technical leaders who can be just as much business facing as they are technical.

In some instances, tech leads have been responsible for both the developers and quant analysts within their team. Finding individuals capable of undertaking such a role can be challenging as there is a high degree of fundamental market knowledge required in addition to their technical ability.



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Driving operational change

Whether it be a trading firm, utility, or industry major, technology departments are increasingly demonstrating their capability to improve overall operational efficiency, automate business processes, embrace new revenue generating opportunities, and reinforce itself as no longer a ‘support centre’ for the rest of the company.

As these voices get louder and more innovative companies continue to integrate technology into their businesses, we are seeing the direct impact on salaries. Whether it be a CTO or CIO now being paid closer to that of a COO, or a front office developer receiving a remuneration package similar to that of a front office analyst, these changes are happening, and the talent war is only becoming fiercer.

With technology innovation demonstrating to businesses how it can positively affect a company’s bottom line, we are seeing organisations demand more from their third-party vendors, whether that take the form of IT platforms or data providers.

Some companies seek to automate as much of the human support around the revenue generators as possible. With the emergence of data aggregators, such as Vortexa for oil and gas and AgFlow for Agri traded products, and platform suppliers in the algorithmic trading space, such as Deltix and QuantHouse, companies have been able to drastically reduce the ratio of revenue generators to business support. Headcount across the back office has been especially hit hard with these new technical innovations.

Across the hedge funds we are seeing firms adopting new strategic models, such as utilising what could be described as analytics-as-a-service. Several commodity focused hedge funds have in recent years created data aggregator ecosystems and integrated them into their commercial strategy. They no longer subscribe to traditional forms of data feeds, instead seeking to create a collection of leading edge data aggregators who provide them real-time private and public assessable data feeds. As this evolves, it will be interesting to see the knock-on effect that this strategy has on internal analytics teams.

On a final note, we have witnessed real change taking place across the E/CTRM landscape. It has been positive to see the major vendors sensing the sentiment shift of the industry in wanting to move away from large enterprise-wide licenced implementations, that have often proved costly and time consuming to implement. Moving instead in the direction of the next generation of commodity management platforms which are now delivered in the cloud. The effect has been a significant reduction in implementation timelines and a reduction in implementation in cost.

It must be said however, that there are a growing number of commodity businesses out there who feel they can best support their companies' own unique style of operating through designing their own platforms from scratch. Most recently, Gunvor went live with their global trading platform BlackStar to support its diversified business. It will be interesting to observe how many other commodity organisations decide to follow suit in 2021.

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