William Murphy: 'We need change management to help people with new technology'

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William (Bill) Murphy is a senior managing director and the Chief Technology Officer at Blackstone, one of the world's largest investment firms, which manages assets such as private equity and real estate. Prior to joining Blackstone in 2011, he was founding Chief Technology Officer for Capital IQ, a technology and financial services company that was acquired by Standard & Poor's in 2004. He spoke with LSE Business Review managing editor Helena Vieira on 3 May during a tech conference in New Orleans.

Can you describe your role at Blackstone?

I'm the Chief Technology Officer. I lead a group of 300 people, most of our job is to drive technology or build technology to make everybody at Blackstone more efficient, and to keep the trains running on time, so to speak. In addition, we do some strategic investing in vendors who we really want to partner with because we use their solutions in a deep way and we can also help them, so it's like a win-win corporate venture capital-style approach. But we do a good job because of the really tight-knit nature of the relationship with each of these investments.

And then, separately, another piece of the job is to lead a community of the leadership of all of our portfolio companies. So I think we're invested across all of their businesses, in 150 different operating companies. So that in and of itself is a community that can share and learn from each other and my job is to contribute to that and kind of create a network that works. So there's a number of facets to my job and I get to move between them.

Is artificial intelligence making your job easier, or maybe even reducing the need for software engineers?

It hasn't affected us yet. Certainly, it will. There's a bit of an overreach right now in terms of how quickly things are going to get disrupted by AI. Everyone is jumping on the bandwagon like it's going to be tomorrow. I think it's a powerful force that we have to take into account in our investment decisions. We need to be looking at ways to use it

at Blackstone, but it's not going to happen tomorrow. It's going to be a much more gradual process of further automating stuff that we've already been automating. Also there's often a confusion between machine learning and true AI, where machines are figuring out the questions and the answers. And I think machine learning, there are pieces of that in dozens of technology that I think everybody uses on a regular basis, including some of our cyber stuff. But it has been more like a gradual evolution than like a revolution.

Blockchain is part of the same technological landscape. Are you preparing for the age when everyone is going to be using blockchain?

No. I'd say it's a bit overblown for what it is. It's really, I mean, there are specific use cases like Bitcoin, where distributed ledger makes a ton of sense. But there's a lot of other use cases where we already sort of have the equivalent. We have a third party who's policing or creating a network for transactions to flow. The real value of doing it in a distributed way is unclear to me in a lot of markets. And to a certain degree, it's a bit of a solution searching for a problem. So, we're not doing much with it. Also, we don't do heavy transaction stuff. We buy big buildings and big companies. Blockchain is probably better fit for high intensity, high frequency types of businesses and that's not us.

I read that the ING is joining the R3 Consortium. The industry is coming together to think about blockchain.

I think they're doing that because everyone is joining it who's worried about being disrupted, to their credit. Everyone who doesn't want to be caught flat-footed is participating in ways to help drive the adoption of blockchain in a direction that is good for them. Because Blackstone business is not necessarily in those use cases, it's not as urgent for us to spend a lot of time on it. We've looked at it extensively and that's what we came out with.

You mention that you also make investments in startups. Is that because they're more nimble and not held back by big organisations behind them?

The reason we invest in them out of my group is because if emerging technology is something we want to count on at Blackstone, we want to make sure we know that company inside and out, and we also want to make sure we can help them. We have a big network and there's no reason why one plus one can't equal three in that instance where Blackstone acquires an interest in a small company, so that's the reason why we do it. There are strategic reasons too. The small companies are the right size for us to make an impact. For instance, it's obvious we're not going to put money in Microsoft in order to have a strategic relationship. It doesn't make sense.

Moving on to big data, a lot of businesses are collecting more and more big data, but not using not even half of what they have in their hands. How do you see this situation?

My belief is that we're still in the early days, because of what you said, people aren't using everything in the way that they want, where they should be. I think this is probably where the AI is going to come in… using machine learning to help people digest the big data and come up with insights that they wouldn't have had before. So, we're experimenting with some stuff. I do certainly think it's going to be a major area of innovation for the industry and a major area of interest for us.

Cybersecurity. We've seen major attacks in the past few months. Can you ever feel secure?

I prefer to feel secure, but not feel secure in a way that leads to complacency. We do a lot in order to keep the firm safe, and you have to be vigilant every day to continue to keep the firm safe, and evaluate new technologies. A lot of the investments that we have made have been in cyber, because it's moving so fast, and because of all the technology areas, it's more important for Blackstone to be on the cutting edge of Cyber than anything else. Just the nature of our business means that we're high profile and we need to protect ourselves.

Any other project that you're working on that you think is important to mention?

One point I would make is that a lot of times it's not about the technology, it's about the change management and the people. We've talked about big data before where the people are not using stuff that's available. So, I'd say our biggest challenge is to figure out how to implement technology with the people's solutions so that people are actually getting value from it. I by no means consider ourselves perfect in that, but this is something we worry about every day. We're trying to figure out how we can bring the solutions to people in a way that is not disorienting for them. It's interesting being here at the Conference. I think that the pace of technology innovation is so fast right now and the people, the general population, outside of the true believers who want to get to Apple the day the next iPhone comes out and are signing up for new products every day. Most people are overwhelmed and do not have the capacity to ingest that amount of change into their lives, their business lives as much as their personal ones. So I'm really focusing on thinking about that and trying to make it easier for our professionals to deal with that change.

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- *This Q&A is the fourth in a series of 10 interviews with tech leaders during the Collision conference in New Orleans, 2-4 May 2017.*

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