

Innovation in the Workplace

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At Alger we pay close attention to innovation of all kinds. Megacap companies like Amazon and Alphabet are not the only innovators worth watching. In many industries, smaller companies are innovation leaders, quicker to offer new products and services than industry giants. As investors, we are most interested in smaller companies that can not only grow rapidly by innovating but can maintain industry leadership. This often occurs within vertical segments or niche opportunities in an industry that large companies are slow or late to recognize, or simply don't consider worthwhile as a business opportunity. Two examples of this are human resources and financial operations and controls, key functions of any company. New software and data-driven processes are transforming them into "digital business processes."

HR functions have historically been highly fragmented within companies, at least in terms of the processes and technology used to track and process a company's employees. Recordkeeping has often been paper-based or dependent on disparate spreadsheets. Consequently, searching and analyzing employee information has typically been extremely cumbersome.

Today, however, these processes are moving to a fully digital architecture based on a unified database, with a consistent interface that is accessible across an organization's users. The leaders in this HR software arena are small to mid cap companies offering cloud-based technology that enables centralized and searchable digital HR records on each employee's employment lifecycle. In the hiring and recruiting



process, paper-based applications are being replaced with online applications that can be easily processed. Additionally, the administration of tax-advantaged benefit programs, such as commuter benefits and flexible spending accounts, can be automated and streamlined for a company's employee base.

Financial services are another prime opportunity for technology to improve efficiency, decision making and service levels as well as help introduce new products and services. As an example, in the banking industry, smaller credit unions have until only recently had difficulty offering online and mobile banking solutions. They generally do not have the resources and technology staff in-house to build and maintain such service offerings. As a result, a handful of innovative companies have grown to serve these credit unions and smaller banks by creating cloud-based software and support services to enable a full range of digital banking solutions. Similarly, another "small" leader is disrupting the traditional mortgage origination process. Its product streamlines and automates the highly paper-based and people-intensive process of originating and funding new mortgage loans and handling regulatory compliance.

At Alger our analysts are sector experts who continually research industries across the capitalization spectrum. We search for disruptive companies and Positive Dynamic Change to identify ingenuity in all areas and potentially benefit from the investment opportunities that it brings.

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