

# Co-sourcing: A step on the journey to operational excellence

*Managers looking to build the right operating model for their funds have several factors to consider, one of which is whether to keep the fund administration in-house or outsource part or all of it to an external provider. How much they outsource will depend on their specific needs, with co-sourcing emerging as an option for managers to employ, allowing them to get used to the outsourcing concept while acting as a stepping stone to a fully outsourced model further down the line, as [Akbar Sheriff](#) and [Scott Kraemer](#) discuss.*

Traditionally, fund administration has involved a clear dichotomy: whether to administer fund operations in-house or outsource them to an external third-party. Faced with ever-increasing investor, regulatory, and financial pressures, more fund managers than ever now find themselves looking at the grey area between the two and towards hybrid models, one of which is co-sourcing, a first step for some on the journey to a full outsourced model. One of the main reasons managers outsource or co-source is to free up resources to do more value-add activities, while leveraging the obvious scalability opportunities a specialist fund administrator can provide.

But co-sourcing is not simply a halfway house between the two. Put simply, co-sourcing allows a manager to draw on the knowledge, expertise and resource of a specialist third-party administrator, while retaining as much visibility or control as possible of their operations, usually by having the administrator's team working on their own in-house systems. Co-sourcing can be good way to start an outsourcing arrangement and is usually a stepping stone to a more complete outsourcing model later down the line. It allows managers to embark on that journey at their own pace, with more processes handed over and solutions provided as the relationship evolves and trust is built. A flexible approach is required on both sides, something not all providers are happy to supply.

In the Private Funds [CFO Insights Survey](#) 2026, produced by PEI in partnership with Aztec, fund managers told us about their use of third party providers and that, when it comes to administration tasks, they plan to outsource more in the coming year. Of the CFOs surveyed, 43% said they are looking to outsource their

fund accounting in the next year, while 39% said they'd be outsourcing cybersecurity, 38% said they'd outsource their tax administration, and 36% said they'll outsource compliance within the next 12 months.

You can read a full breakdown of the CFO Survey's key findings [here](#).

As these results illustrate, outsourcing is increasingly recognized as a strategic advantage for fund managers, and for those who want to refine their operating models and leverage their third-party exposure, co-sourcing can provide a valuable first step.

## **How does co-sourcing work best?**

Typically, what a fund manager needs will be defined and refined iteratively by developing an operating model around the four pillars of people, process, technology, and data exchange. Front of mind throughout this exercise is often the opportunity for operational scalability and its subsequent impact (and, desirably, improvement) on the balance sheet.

Often the arguments for and against co-sourcing focus on outlining its potential benefits, countering with potential drawbacks, and exploring how each factor may contribute to unlocking operational effectiveness and financial upside. However, beyond this cost-benefit analysis is the human element which is the engine room determining the success of any co-sourcing relationship as it develops. After all, best practice outsourcing goes beyond sharing tasks - it builds strong, dynamic relationships that unlock value and opportunity for both sides.

You can listen to our recent podcast on what our clients value in a partner [here](#).

## **How do people unlock success in a co-source relationship?**

As covered in our [Future operating models and co-sourcing considered](#) article, the delivery model that a fund manager lands upon along the in-house to outsourcing spectrum will depend on various factors. The case for co-source lies in reducing the perceived compromise required when selecting either of the single-party delivery models, whilst enabling the benefits that both can deliver and offering a measured path to a full outsourcing model. For example, fund

manager A may opt to co-source so that they can execute operations on their own platform, whilst retaining a degree of control and gaining access to the specialist talent and extensive industry knowledge of a fund administrator. As a result, fund manager A may then create capacity to increasingly focus on what they consider to be their core competencies, testing their appetite for full outsourcing at the same time.

There are also instances where the GP wants to retain full ownership and control of the single source of their own data, however they don't have a data storage and usage strategy implemented, yet want real-time access and analysis. One of the ways these GPs can overcome this challenge is through co-sourcing while they develop their own capabilities.

Co-source benefits, whatever the motivation for the arrangement, are only unlocked as the partnership evolves. The first step is to design an [operating model](#) driven by a clear challenge statement (i.e., what does the fund manager want to achieve from co-sourcing, and what does success look like in the short, medium, and long-term?). The second, and more iterative step is to then build on this foundation and establish a relationship of trust, openness, and strategic alignment. It follows then that if outsourcing benefits require unlocking, perfecting the people element is key.

## **All co-source and outsource models are different, but all benefit from a coordinated team:**

- *Evolving strategic alignment:* A partner should be flexible, and actively advocate for the fund manager to evolve, empowering them to respond quickly to challenges and opportunities.
- *Skills alignment:* Coordinated teams will align on 'must-have' requirements, which include system experience or qualifications, trusting the administrator to arrange resourcing appropriately, in some instances, the fund administrator can take responsibility for training any new hires brought into the fund manager's business.
- *Smoother workflows:* To ensure efficient handovers, both teams must be aligned on roles and responsibilities, understanding how to maximize the effectiveness of their counterparts along the process flow.
- *Accelerated decision-making:* Relationships built on trust empower people

across teams to make decisions at pace, this avoids unnecessary bottlenecks.

## **Building your co-sourcing relationship**

Creating a strong human connection between the fund manager's people and your provider's teams is built on foundations that are established early in the engagement:

### **Establishing the relationship (Day 1):**

- *Align on the 'why':* The provider needs to understand the manager's strategic vision considering drivers such as employee experience, leveraging in-house technology, managing overheads, and strategic ambitions.
- *Introduce positive change:* A considered change management approach is key to a galvanized team capable of unlocking the full potential of co-source, and ultimately, outsource.
- *Operating model design:* Successful execution depends on planning and thoughtful alignment of people, processes, and technology.
- *Governance:* Establishing a co-source model requires an array of workstreams spanning a range of departments, teams, and third parties, which is why a dedicated project team ensures governance and adherence to timelines.

### **Developing the relationship (business as usual):**

- *Building a team:* Recognizing a co-source partner as an integral part of the operating model fosters a strong team culture. Leadership should promote this and reinforce it through joint activities and ongoing collaboration, involving both operational and specialist teams.
- *Aligned communication:* Effective communication within high-performing teams relies on knowing how, when, and with whom to communicate, as well as ensuring timely updates and clear escalation paths. Third-party providers should share the same IT support and escalation framework as the fund manager's staff.
- *Coordinated staffing:* Effective staffing in a co-sourcing partnership is reflected through a team built around the appropriate skills and roles.

This also smooths the process when the manager decides to move to a full outsource model, this integrated team ensures the success of the migration.

## **Evolving the relationship (from co-source to full outsource):**

As trust is established in the partnership, fund managers can naturally transition from co-source to full outsource:

- *Expanding scope and accountability:* Responsibility across end-to-end processes increases and progressively shifts to the administrator, reducing dependency on in-house execution. Additional fund structures may also come into scope.
- *Embedded people, systems, and governance:* Integrated teams, aligned controls, and shared technology frameworks enable the operating model to function beyond co-sourcing.
- *Transitioning to strategic oversight:* Consistent execution and stable delivery enable the manager to relax their operational involvement to oversight and value-add focus, creating the conditions for full outsourcing.

All co-source partnerships will be bespoke in their operating model, but consistent in their need for an aligned people element. As well as providing full outsource services, we are highly experienced in building and delivering tailored co-source models across multiple jurisdictions to support clients in their transition to full outsourcing and would be delighted to talk to you about developing an operating model that works specifically for your business.



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