

How to design your future operating model

As private markets continue to grow, investment managers are reassessing their operating models to meet the challenges posed by an increasingly global market driven by rapid technological changes. Aztec's Head of Business Development in the U.S. [Ore Adegbotolu](#) and Andrew Muscat, Global Head of Accounting and Finance at Lasalle discuss how to adapt

Private markets continue to evolve fast. This growth means fund managers need to adapt their operating models to support the evolving structures and products they manage across jurisdictions. There are several considerations for a fund manager to weigh up to deliver efficiencies and streamline reporting around the globe.

There are also two significant changes in investors' expectations that have a direct impact on a fund manager's finance function. The first is the growing appetite for more data, in more detail, at a faster pace. The second is in the development of more pan-regional and global products among managers, as investors cast their allocation nets globally. This means that a holistic operating model, like the one Lasalle has developed, is essential to GPs with global aspirations.

There are 4 key aspects that come up time and again when [discussing target operating models](#), as we've detailed below:

Changes to the back office

To deliver on the changes to the back-office that are necessary, managers need to examine closely where they spend their time and money. To work out what changes will deliver the biggest bang for their buck, managers should get as much feedback from all their stakeholders as possible across all functions in the business as well as from investors, to ensure they better allocate resources. At Lasalle, for example, they coordinate their efforts to agree priorities globally, so they better understand the interdependencies of all their initiatives across their operations. An example might be putting in place a consistent way of recording financial data across a firm with a consistent level of detail, or creating

dashboards for investors using standard data sets and measuring performance in a standardised way.

To successfully implement these initiatives, the choice of outsourcing partner becomes key. A partner must be able to understand and work within a manager's operating model to support mandates and investments across the globe. While it used to be common to engage a variety of partners for the same product in different jurisdictions, now managers want a single, trusted partner who can service their requirements in multiple jurisdictions.

Technology and data

Given the complexity and scale of implementing a global, standard operating model, it is increasingly important to be able to automate and simplify repetitive tasks. Increasingly, the role of the accountant is to add value, and by making use of tech functionality to allow more time for those important value-add activities.

Key to delivering increasingly complex requests from investors more quickly is an effective data strategy. It is important to understand the different types of data, ensure these definitions are consistent across the business, as are the tools that absorb, collate, and report the data.

Investors expect more in-depth answers, faster. To do that, managers are investing in tools, or in partners with the tools, to take a global approach. For example, if a piece of technology is designed with only one jurisdiction in mind it can create problems around language, instead managers are looking for technology investments that are easily adapted for different jurisdictions, each of which might have different needs.

Co-sourcing vs outsourcing

While a traditional outsourcing model allows for more scope of activities and is easier for the provider to scale up, co-sourcing is another option for managers looking to leverage the expertise of an outsourced provider while keeping their data on their own systems. For Lasalle, their China-based office works entirely as a co-sourcing arrangement and increasingly, a combination of both may work for more complex operating models.

Co-sourcing allows a fund manager to engage the skills and expertise of an outsourced provider, with work completed on their own in-house software

instance. This allows the manager to retain control of their data internally, while still leveraging industry and regulatory experience of an expert service provider. It can be a good interim step on a longer-term journey to outsourcing. Increasingly, a fund administrator should have a scope of services and the geographical reach to work within a partner's operating model and technology environment, including the option of offering co-sourced, outsourced, or hybrid solutions.

Choosing a partner

Choosing the right outsource provider is a crucial decision when implementing your operating model. Crucially your partner must have the specialism in your asset class or area of focus, to ensure your investments are administered in the best, most standardised way possible.

And cross-jurisdictional coverage is important here. There was a time when it was common to have different partners for the same product in different locations. But increasingly we hear from clients who want a global solution, with teams of experts operating in the jurisdictions their funds are based in.

At Lasalle, for example, they centralised their finance function. Previously their accounting and finance were completed at a regional level. This has now changed to a single, global reporting line. This single team has a shared mission to create a standard operating model for financial data.

At Aztec we offer a single-partner solution comprised of fund and corporate services at asset class level, depositary services and our new AIFM Services, across all the main alternatives jurisdictions, and we complement our high-touch personal service with best-in-class technology.

Contact [Ore Adegbotolu](#) to discuss your partnership needs.

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