



## Outsourcing: An Insider's Framework for Finding the Right Service Provider

**Now more than ever, investment managers are outsourcing the responsibility of improving operational efficiency. Service providers taking on this task have enhanced their offerings over the last several years to accommodate the ever-changing complexity of the financial services industry. As such, your firm will need a focused due diligence effort to assess the available options in the marketplace. This includes evaluating the capabilities of different market solutions, the ability to configure versus customize, the overall operational model and, most important, assessing your readiness for the transformation itself. Meradia's consultants leverage their decades of outsourcing experience to provide a framework for your firm's next outsourcing project.**

### **CONSIDER THE BENEFITS OF A BEST-OF-BREED OR SINGLE PLATFORM**

Vendors and service providers are increasingly offering front-to-back office solutions. But just because there are consolidated options, does that mean they are right for you?

Understanding your firm's specialties and their functionality is critical before deciding what should be outsourced. While adopting a comprehensive solution might be best for one firm, it could be detrimental to another with differing strategies, values, and perspectives. Under certain circumstances, it may be beneficial to consider a specialized solution for one segment of your firm versus going all-in on a single tool. Depending on your overall goals and requirements, a best-of-breed or single platform solution will provide a stronger offering to meet your needs.

Firms are challenged to evaluate all aspects of these solutions, including their integration patterns, in order to make the right decision.

Keep in mind that during a sales process or demo, you are typically seeing the daily platform view which aggregates and reports on data from the subsystems. Even if you no longer perform day-to-day operations, you should still understand what the staff of the service provider uses. Knowing your current system and process limitations in comparison to a solution's strengths will offer a clearer path forward.

### **PRIORITIZE CONFIGURATION OVER CUSTOMIZATION**

Firms that have built and maintained internal systems and reporting to meet every need of their colleagues have created highly customized processes over time. While these customizations might have served short-term needs, they can be detrimental to your next business transformation. How does one replicate this with a new platform or service provider?

The truth is process replication should not be your primary goal when evaluating service providers and vendors. Recreating unique customizations that cannot be leveraged across multiple clients might lead to a disjointed model, specifically for you. Both vendor and service provider platforms are built for scale. They will offer some level of customization but, ideally, they want to leverage those capabilities across their client base. Finding a configurable solution that works best for your requirements is in the best interest of both you and your chosen partner.

Configurations allow end users to build out the system to satisfy their requirements with little to no development needed. The vast majority of new technology platforms are structured "low/no code" so they can be adopted quicker with a focus on power users or subject matter experts controlling the build-out. This same concept of finding the right, configurable offering should apply to identifying a potential service provider as well.

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## UNDERSTAND YOUR SERVICE PROVIDER'S OPERATIONAL MODEL

A service provider's operating model will have a significant impact on their ability to scale with your firm over time. Key areas to focus on include:

- Whether the operations team is structured by client teams or a functional team model. If it's the latter, you should get familiar with the workflows between those functional teams
- Reporting structure, and whether all functional teams report to the same operations director
- The geographic location of various teams
- Alignment between operations and technology teams

Once you understand the operating logistics, it's important to create an effective oversight program. Part of that model is establishing KPIs and SLAs that are meaningful to your business and add value to the partnership. The activities and functions that allow you to deliver a quality product to your firm and clients should be clearly articulated and there must be mechanisms for monitoring these activities throughout the monthly or quarterly cycle. Your oversight of the new operating model should be strong enough to spot and prevent potential risks, like missing an end client deliverable.

## PREPARE FOR TRANSFORMATION

You have evaluated the options and made the decision to outsource. Are you ready to start your business transformation? A key to success is assessing your current state to ensure the project with the service provider or vendor(s) is as prepared as possible to successfully transition. Questions to consider include:

- Where does this project rank among others? Is the IT department ready to build or reconfigure various integration points?
- Have you thought of the impact to current staff levels? Can any resources be redeployed to work on more strategic projects and client-facing roles post go-live?
- Who is on the project team? Are they full or part-time resources being utilized once their BAU activities conclude?
- What is the current state of your data and documentation?

Data and documentation tend to be some of the most neglected components leading up to a transformation project. When they are not prepared properly, they can waste a considerable amount of time at the project's onset, which can diminish the momentum, drive-up costs, and extend the lifetime of the project. Firms can avoid this by performing a data readiness assessment to reduce surprises and increase the accuracy of project plans. This involves assessing data flows for key inputs and outputs as well as identifying the risks associated with current workarounds.

## HOW MERADIA CAN HELP

While the universe of vendors and service providers can be overwhelming, utilizing this framework will allow you to thoughtfully approach your next outsourcing decision. Furthermore, it's important to remember why you considered outsourcing in the first place: Efficiency. As a dedicated partner, Meradia can help your firm navigate the service provider landscape so your goals of maintaining business growth and serving clients stay on target.



**Tom McCorkell**

leads operational transformation programs across the front, middle and back office. Tom is an expert on middle- and back-office outsourcing and has deep experience helping asset managers create new efficiencies. Through his 20+ years in investment management, Tom has supported some of the industry's leading firms through operational change. He is a proven professional with a thorough understanding of operational processes, procedures, and issue resolution across global equity and fixed-income instruments.



**Jeremy Welch**

leverages his deep knowledge of project management and investment performance to support our clients through their most challenging outsourcing decisions. He is an expert in investment operations outsourcing with over 15 years of experience. Jeremy frequently serves as the bridge between outsourcers and end-clients to ensure the smooth onboarding of global platforms. Through his work with front-to-back solution offerings, Jeremy holds an intimate understanding of investment operations technology and how firms can avoid common pitfalls through implementations.

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