

Advantage

AN INVESTMENT MANAGEMENT UPDATE FROM NAVIGANT CONSULTING.

Independent Franchise Partners: Asset Manager from Scratch—Fast

Independent Franchise Partners moves fast. The partners had amicably left their previous employers after ten very successful years to establish a new asset management company. But as a new manager, every day after their target mid June start meant a growing risk of losing momentum. Everything had to be arranged from scratch—from FSA authorisation to premises, bank accounts to phones. Critically, this also meant establishing sufficient investment management infrastructure to attract new clients at the launch—in 3 months.

Hassan Elmasry and his team are very successful asset managers, but having come from a large corporation where all the investment management infrastructure was laid on for them, they knew they needed an infusion of expertise to make this possible. They interviewed three consultancies on a Monday and engaged Navigant Consulting on Tuesday evening – 6 weeks ahead of their target launch date. Paul Sutton, Steven Forsyth, and Norman Crichton got to work at once on the back office, front office systems requirements and support, and, perhaps most importantly, the operational model, linkages, and tools to glue it all together, ensuring the new business works effectively.

When Navigant Consulting started, Franchise Partners had already begun conversations with potential providers of outsourcing services for the back office, but, rather than simply turn to one supplier by default, Navigant Consulting helped Franchise Partners look at other options for comparison, in a very focused and abbreviated selection process based on fast, intense workshops with the suppliers. As a result, Franchise Partners was able to choose Northern Trust with confidence that their choice was fully informed. Navigant Consulting then managed the Letter

of Intent between the two firms, drew up the key commercial points, facilitated the contract negotiations, and produced the business requirements for the initial, tactical solution with which Franchise Partners would open their new business.

Franchise Partners had to make many decisions in parallel with the supplier selection, product design, and front office solution choices to define their operating model. As fund managers rather than operations experts, Franchise Partners needed to rely upon trusted advisors through those conversations. Navigant Consulting explained various options for functions they could outsource versus those they might choose to do themselves, and the consequent touch points with their chosen service provider in each case. Should Franchise Partners keep internal control of performance monitoring or client reporting, for instance, or should the function be outsourced? If it stays in-house, what would the staffing requirements be? What systems and tools would be necessary? If the function is outsourced, what sort of oversight should Franchise Partners perform, and how? What risks are associated with either choice?

Everything was on the table: as a brand new organisation, without pre-existing ideas of operating models, Franchise Partners brought a fresh perspective and completely open thinking. For Navigant Consulting and Northern Trust, this offered a challenge not only to explain operational processes clearly, but also to think more creatively in response to Franchise Partners' unique considerations and concerns.

Navigant Consulting helped Franchise Partners explore all of these choices, constructing an operating model describing the interactions with the Northern Trust, staffing requirements for Franchise Partners, and all of the processes and tasks



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to be performed. In the end Franchise Partners elected to outsource everything except the investment management, and Northern Trust had to find solutions to support all of these functions in Franchise Partners' extremely tight deadline. Although NT had helped startups before, this might be the most aggressive situation they had faced. Franchise Partners were looking at one of the shortest launch periods we have seen in the industry. Toby Glaysher, Senior Vice President - Global Fund Services, explains, 'At Northern Trust we pride ourselves on being a business enabler for our outsource clients—our ability to get them and their products to market quickly is a key differentiator for us. That said, it certainly helped that we were dealing with an experienced team of consultants who understood the outsourcing industry. This meant we could get straight to the important issues and decisions without undue distraction.'

Although Franchise Partners is not a hedge fund, they required the kind of fast support a prime broker might offer. NT was able to provide that, with an implementation timetable of 38 days for contract completion and a tactical interim solution to get Franchise Partners up and running, using the standard NT platform and controls but with manual interfaces temporarily. As a measure of the level of co-operation NT was willing to offer, they

began committing resources to the project on the basis of the Letter of Intent, working in parallel with the contract negotiations rather than waiting for everything to be agreed and signed first.

Once the core operating model was defined and the supplier relationship established, Navigant Consulting turned to preparing for implementation of the Day 1 solution, helping establish and operationalise contingency plans, and working towards a second stage launch to add scalability and further automation. Steven and Norman served as Franchise Partners' middle office for the launch, and will continue to do so while Franchise Partners recruits someone to take over as the permanent Head of Middle Office.

In order to ensure that the process of selecting, deploying, and configuring a permanent front office solution did not sit on the critical path for the launch and take on of the initial clients, Franchise Partners asked if Navigant Consulting could help devise an interim solution. Norman Crichton designed and built a tactical but robust front office solution to support the first of Franchise Partners' institutional clients. The asset managers can see their positions in investments and in cash, and the system not only creates the fax to advise Northern Trust, it also automates some of the reconciliation. The system was in fact put into operation for the

launch, and has worked well enough that Franchise Partners has asked Navigant to extend the solution to support up to 3 clients, and more complex trading and interfaces. Meanwhile, Navigant Consulting is also helping with the selection of the permanent front office system, including reviewing the requirements documentation.

Achieving Franchise Partners' goals was possible only because Franchise Partners was willing to work in a completely collaborative process with Navigant Consulting and to make the necessary decisions at speed. Throughout the project, all of the key Partners would sit around the table with us, listen to the options and Navigant Consulting's views, and make a decision—then and there, sometimes in as little as an hour. A large, established organisation with many stakeholders would have a very difficult time moving that fast, which is why most supplier selections require a much longer window and a far more conservative process.

Franchise Partners was in a hurry. Three months to launch an 'asset manager in a box'—and with the help of their launch partners, including Navigant Consulting, they're up and running, and building their business. Franchise Partners showed their appreciation in the advertisement shown below, which appeared in the Financial Times and Wall Street Journal on 29 June 2009.

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INDEPENDENT
FRANCHISE PARTNERS, LLP

Gratefully Acknowledges the Remarkable
Work of our Launch Partners

Initial Consultation: March 12, 2009
Doors Open: June 15, 2009

Simmons & Simmons
Northern Trust
IMS Consulting
Navigant Consulting
Moffat Communications Ltd
Buzzacott
HSBC Bank plc
Maples and Calder
Carne Global Financial Services
Cushman & Wakefield
Torpedo Brand and Strategic Consulting
Maris Interiors LLP
Joele Frank, Wilkinson Brimmer Katcher

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