

May 2025

When To Consider Replacing — Or Not Even Hiring — A Particular Back-Office Service Provider



I have found, over the decades, that the primary cause of back-office service provider created marketing problems is lack of attention to detail compounded by the lack of an organized workflow to identify and correct mistakes before they become issues for the money management firm owner.

Quality control? *What* quality control?

Here is an example: Some years ago, my firm was working with an equity investing portfolio manager.

After many years of running a portfolio at a large firm, he left to start his own investment boutique in order to be able to offer what he believed to be a higher return potential version of the strategy his former employer allowed him to run. My financial communications and sales marketing consulting firm was retained to help get out of his head and into print (and I'm not referring to a flipchart pitchbook here) communications that detailed his investment process, from selecting holdings to monitoring and managing the portfolio. Next, we worked with him on ongoing communications and sales marketing, including development of investor relations content.

Having analyzed how the portfolio's allocation characteristics would shift from quarter to quarter, and sometimes from month to month, we saw a clear indication of active portfolio management — both in carrying out risk management protocol steps and in moving to where greater opportunity might be — was found in changes in country and sector allocation weightings. Showing this in spreadsheet format with digits would make it harder for investors to absorb what they would be seeing in the monthly performance sheet. We advised that having colorful pie charts were the better way to visually depict this changing data for the reader.

So, the portfolio manager reached out to the contact at their fund admin firm — a mid-sized, well-known shop — telling them to generate the two pie charts we wanted for placement in the hedge fund's monthly performance tear sheet and to follow the color assignments we provided that we assigned to represent specific countries and sectors.

“You make your pie charts and send them in to us to place in your tear sheet that we're producing for you,” the portfolio manager was told. *What do you mean?*, the manager responded. *The data to produce the pie charts comes from you!* Only then did the fund admin account rep speak to a different department at his firm to order the pie charts made and inserted where requested on the front page of the performance sheet.

When the fund admin emailed the resulting PDF to the portfolio manager he immediately forwarded the PDF to me and rang me up. There was a problem. The fund admin released to the money manager the performance sheet draft with an unnoticed by them, but very obvious to anyone else, error.

I'm sure you've seen pie charts that have the legends function turned on. A line runs from each pie chart slice to text that says what that pie slice represents: the country name or industry/sector type in this case. Well, the beginning letters in the words were seen, but not all of the letters in each word. The legend words were cut off because they 'ran off the chart space.' The fund admin had not properly sized the pie charts, and aligned the legend text, to fit the space. The portfolio manager called the fund admin contact, pointed out the quality control error and asked for it to be fixed.

After a while a new PDF was emailed to the portfolio manager. There in this second draft was the same cut off legend text problem again. Absolutely no change to be seen. The manager emailed the second draft back, pointed out that no action had been taken on the second draft he was sent, and asked again that it be corrected. A few hours later a third PDF draft was sent. In this one some of the legend text was now visible and readable, but not all. There were still some cut off words missing their end letters. A phone conversation ensued with the portfolio manager and his fund admin contact. “Sorry. We'll get this corrected right away.” The fourth draft sent by the fund admin firm came the following day and still had the error. Now *I'm* asked by the portfolio manager to speak on his behalf with the fund admin department responsible for this continual lack of attention to detail. On that second day, with what was the fifth draft sent back to us, the fund admin firm got it right. OK. The money manager has his monthly performance sheet to distribute to investors and prospects. Problem solved, right?

It's now the end of the following month. The fund admin firm sends the updated monthly performance sheet over to the portfolio manager and me, and... You guessed it. The legend text again ran out of the frame of the pie chart. Again, they had to be called to correct the same problem. This same scenario repeated for two more months in a row, making it four months in total where the lack of attention to detail — on simple stuff, and on the very same thing — kept causing delays in the hedge fund firm's ability to able to distribute their recent portfolio returns data on a timely basis to investors and prospects.

The erratic dissemination of the monthly performance tear sheets from one month to the next was an IR problem regarding existing investors and a marketing problem regarding prospective investors.

Over a period of four months the hedge fund firm was giving the appearance that it couldn't get its act together to complete and distribute monthly reports on a consistently timely basis to its investor base and to prospects who were following the firm. That looked like bad operations management at the hedge fund, and that's not a good look.

Further, the amount of time expended by the hedge fund manager, and my firm, for having to continually point out an error that an elementary school kid would not make twice on a homework assignment was not insignificant.

That this was a mid-sized fund admin business, operating in multiple countries, is why the portfolio manager at first forgave this lack of attention to detail in servicing his hedge fund's account, before he started hunting for a replacement. Soon the negligent fund admin firm was replaced.

There is no way this portfolio manager could have foreseen the sloppy fund reporting servicing that his previously hired fund admin firm would carry out time and again. Investors, not knowing what was going on behind the scenes, would of course perceive a lack of urgency by the portfolio manager to deliver expected performance data updates on a consistent basis. And that's an IR problem.

But sometimes there are warning signs when in contact with back-office service providers seeking your business that they might be an accident waiting to happen.

An advance warning example

The above story was a lack of attention to detail problem that the fund firm owner could not spot before having retained the service provider. There are other times, however, when you are shown clear signals in advance of outsourcing a back-office function. Sometimes this comes just from speaking with people who want to be selected as one of your back-office service providers.

After appearing recently on an alternative investments industry panel offering asset raising insights and recommendations for launching a fund, I was approached by an audience member who told me he was CEO of an IT services provider business to small- to mid-sized money management firms. He seemingly recognized I could be a potential source of referral to him and his firm. I handed him my business card and told him to contact me directly to schedule a get acquainted call. I asked him to email me some day and time choices that work for him as one of those is bound to work for me as well. The following day, after I took the time to go to their website and saw that their business seemed to focus on reports generation on trades, portfolio positions and the like, I emailed him with my same request.

What did he do? He sent via LinkedIn a generic "I want to connect" email. I emailed him directly, forwarding his generic LinkedIn generated email, and stated that *we are already connected* and he has my direct contact information to get in touch with me and schedule our call that he asked to have. A few days later I received a Zoom invite from him. I accept. On the appointed day and time, I logged on. He came on. I said hello. He, in turn, asked me why I wanted to speak with him. I remind him that it was he who approached me at the industry event, and it was he who said he wanted the opportunity to fill me in on his business and what they do for money managers.

To that, his response was to then ask me a question that didn't make any sense: Which of the trade reporting software solutions was I using in running my firm?

You heard me state from the podium what my firm does, I responded. I then asked if he happened to go to my firm's website to learn a little more about us before arranging this get acquainted conversation. No, was the response. So, I had to remind him my firm is not an investment management firm; instead, we had them as clients and so were a potential source of referral. I asked what he could tell me about his business and the range of functions they help investment firms manage. You would think the CEO would have given me a response to that straightforward question that gave him the opportunity to tell and sell me on what they do, the range of investment firm types they serve, and where and how they might be different and better in some areas. But no. Instead, he asked me, *Why did you want this call again?*

Dear reader, you're following this chronology of events, right? What impression has this back-office service provider left you so far?

If you are an investment boutique firm owner you are betting your livelihood on the veracity of the investment strategy you developed. Launching and running an emerging manager firm is not an inexpensive venture. You are putting some of your life savings into running (and hopefully growing) your small business.

If you find a back-office service provider you hired shows they are disorganized, with consistency, and seem to lack quality control on the work they submit to you, take that as a sign to start looking for a replacement and let them go before they cause damage to your marketing and client retention efforts.

If, when looking into a new prospective back-office service provider, you find you cannot get and keep that person's attention, or they can't remember why they're talking to you, take such things as signs to look elsewhere and pick a different firm to become a partner in helping run your business.

#

© Frumerman & Nemeth Inc. 2025

About the author

Bruce Frumerman is CEO of Frumerman & Nemeth Inc., a 37-year-old financial communications and sales marketing consultancy that helps financial services firms create brand identities for their organizations and develop and implement effective new marketing strategies and programs. Frumerman & Nemeth's work has helped money management firm clients attract over \$7 billion in new assets, yet they are *not* third-party marketers.

Frumerman & Nemeth is internationally recognized for its work in crafting for clients the beyond-the-numbers story of how they invest — content that investment committees actually discuss, debate and vote on behind closed doors when considering firms on a short list for potential investment. Importantly, this is required due diligence content that cannot be communicated in pitchbook format.

Frumerman & Nemeth's work also includes providing strategic consulting on product and strategy-specific branding, crafting the required strategy-specific content detail and designing and producing the marketing tools needed to make it through the two-month to two-year institutional selling cycle. Clients also employ Frumerman & Nemeth to help promote the intellectual acumen of management — helping them get speaking opportunities, write and give speeches as panelists or stand-alone speakers at industry conferences, and through media relations marketing services.

Mr. Frumerman can be reached at info@frumerman.com, or by visiting www.frumerman.com.