

# Asset Manager from Scratch... in 35 Days



## Executive Summary

There aren't many clients who take out advertisements in the Financial Times and Wall Street Journal to thank the firms they have worked with, but that is precisely what Independent Franchise Partners LLP ("Franchise Partners") did in August 2009 in recognition of the help it had received in setting up its business.

Some of the most critical support came from consultants at Navigant Consulting who, in just five weeks, designed and implemented the interim systems and processes Franchise Partners needed to launch in the middle of June 2009. The same team developed and implemented a permanent solution, based around outsourcing as many of Franchise Partners' non-investment activities as possible. This resulted in a ground-breaking deal, signed with Northern Trust in September, which secures Franchise Partners' long-term commercial objectives.

"We started with a blank sheet of paper and three months later had a full-fledged asset management business," says Hassan Elmasry, a partner at Franchise Partners. "We simply couldn't have done this without Navigant's help."

## Background

To most people, the middle of a financial crisis may not seem like the best moment to launch a new company. But to Hassan Elmasry, a leading fund manager at Morgan Stanley, April 2009 was perfect. With so many markets in turmoil, his strategy was to invest in two areas: global franchise and US franchise. What he did not want to do was to get distracted by the administrative burden of setting up and running what he hoped would become a sizeable business.

Recent history made this aspiration all the more challenging. Elmasry needed an infrastructure which could handle rapid growth but did not commit him to high fixed costs. While minimising bureaucracy, he also needed to be able to demonstrate to would-be clients that this was a solid and well-run business. And he had to achieve all of this quickly: success would depend on offering clients continuity, so their track record in investment success was not interrupted.



## The Problem

“Hassan rang us in early May,” says Graham Macken, MD of the Investment Management practice at Navigant Consulting, “when he and his partners were still in the early throes of planning. He wasn’t going to have the luxury of Morgan Stanley’s infrastructure and he realised he needed help to replace it. Navigant has a specialist investment management team, so we were an obvious port of call.”

The brief was simple: to help define Franchise Partners’ business model, develop the specific requirements for it and implement them. “None of us had had experience of managing the complexities and developing the mid-office procedures of working with an outside service provider,” explains John Kelly-Jones, Franchise Partners’ chief operating officer.

## How Navigant helped

The plan was to develop an operating model that allowed Franchise Partners to focus on its primary business – managing money – from day one.

From initial discussions, it became evident that outsourcing non-core components of that model would be critical. Navigant had to move quickly to assess potential suppliers’ appetite for such a deal and their capability to set up the operation within Franchise Partners’ ambitious timescales. Whilst this design model looked to the long-term, Franchise Partners also needed help in the short-term, putting in place systems and processes that would support the business when it launched in the middle of June. “That was when Franchise Partners had to be open for business, capable of handling large institutional clients without any risk of failure,” says Macken.

“Navigant helped us design our selection criteria, identify possible suppliers, then negotiate the terms with them,” says Kelly-Jones. “They established key performance

indicators and service levels for the contract, and put in place the monitoring and control procedures so that we had the appropriate oversight going forward.”

Between the 14th May and the middle of June, Navigant looked at four possible suppliers, holding intensive workshops with each. “We were virtually locked in a room with each supplier for a day, assessing the services they provide and their ability to take on Franchise Partners’ business within the deadline,” says Macken’s colleague, Steven Forsyth. “From there we whittled the short-list down to two preferred suppliers, eventually selecting Northern Trust.” It’s a process that typically takes months: “Once again, our existing knowledge of the suppliers helped expedite the process, but so too did the level of co-operation Northern Trust offered.

Indeed, 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,” he says. “However, we were also aware of the need to build in robust controls and to be able to help Franchise Partners articulate to its clients how the model worked and how it ensured Franchise Partners could focus on its core investment capability,” adds Macken.

While putting together the long-term operating model, the Navigant team also provided an interim solution which involved not only the design of processes and oversight controls, but also the development of a tactical front-office system solution. “Franchise Partners was going live,” says Forsyth. “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, we were asked if we could help devise an interim solution. We built a tactical but robust front office solution which ensured they could create orders and manage their clients’ portfolios from the outset,” recalls Forsyth.

In all, three consultants from Navigant worked on the project for over five months. Once the core operating model was defined and the supplier relationship established, the Navigant team turned to preparing for implementation of the tactical solution, helping establish and operationalise contingency plans, and working towards a second stage launch to add scalability and further automation. Forsyth and his colleague Norman Crichton served as Franchise Partners' middle office during this period.

The contract with Northern Trust started in June and has already proved its worth. That month, Franchise Partners signed its first client, a large Australian bank, and now has six major clients and assets under management approaching \$1 billion. "Franchise Partners is a business with ambition, it understands its strengths and is focusing its energy on investing and serving clients," says Macken. "When we saw Hassan and his team recently, they were delighted with initial progress the business had made and were looking forward to dealing with such challenges as bringing new clients on board."

## The Benefits

Navigant's work made all the difference between success and failure in the early, critical months for Franchise Partners:

» **A big company feel at a fraction of the cost:** Franchise Partners' now has a robust operating model and a base from which to grow its business. The deal with Northern Trust is completely scalable, increasing in line with their business, and giving them the flexibility to move into new areas should they want to. At the same time, there is no reason why Franchise Partners' own headcount should increase significantly. "The contract will allow Franchise Partners to behave like and compete with much bigger players in the market," says Macken, "which is

exactly what the business will be doing over the next few years."

- » **Investor confidence:** The obvious robustness of Franchise Partners' operating model from the outset proved hugely influential in helping the company attract clients. "It's been especially important with benefits consultants who control institutional pensions investment," says Macken. "The first thing benefits consultants look at is the track record of the firm, but the second is risk. How well run is the firm? Does it have the appropriate infrastructure? With so many firms in trouble as a result of the financial crisis, they want to know they're investing in more than the front office." The operating model was one aspect of this, but so too was the choice of supplier. You need to have a supplier with a good pedigree to pass this test, and Northern Trust has an excellent reputation," he continues.
- » **Rapid time to market:** The fact that Franchise Partners and Navigant built and documented so much so quickly helped the firm get onto 'buy lists' – firms the consultants recommend – straight away. One of the key problems a new firm faces is the lag between when it is launched and the point at which it gets onto these crucial lists.
- » **Competitive advantage secured:** With the financial markets now picking up again, it is likely that more boutique asset management companies will emerge. They will, however, be hard-pushed to emulate the speed with which Franchise Partners has been launched and the security afforded by the deal with Northern Trust.

With the administration of its business secured, Elmasy and his colleagues are free to concentrate on what investing and serving clients. "With assets of seven clients under management, and a further seven whose business we hope to win in

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the next two months, Navigant's work has helped us create a solid infrastructure and a platform for growth," he says. "In particular, the deal with Northern Trust will allow us to expand without having to take on dozens of new people."

### The challenges and critical success factors

Three things mattered here:

- » **Speed:** "When we launched the business, people told us that we wouldn't be up and running before the end of the year," says Elmasry. "Bringing the launch date forward was essential." "Our deep industry expertise and considerable knowledge of the institutional / fund administration and servicing operational environment were crucial here," says Macken. "We were able to leverage our existing relationships with leading third party administrators, such as Northern Trust, to expedite the entire process".
- » **An innovative approach:** Such aggressive timescales meant taking an innovative approach. "One of the things that helped us most was our knowledge of the industry," says Forsyth. "We could understand and articulate their model straight away. Ten years ago, you would have expected a company like this to have all the internal functions it needed in-house, but that's changed. Franchise Partners was looking to outsource all operational activities, including performance measurement and client reporting. Our familiarity with the outsourcing industry and knowledge of how suppliers are evolving meant that we could design an operating

model to accommodate this scope as well as orchestrate a very rapid supplier selection process."

- » **A robust solution:** Even greater than the risk of not winning these early customers was that of winning them and then not being able to service them properly, something that would have resulted in crippling reputational damage for this nascent company. Again, Navigant's previous experience was crucial: having worked with start-up companies before, the team had tools honed in previous projects but which could be applied flexibly in new circumstances.

### The client-consultant relationship

The expertise of the Navigant team played a critical role in winning the trust of Elmasry and Kelly-Jones. But achieving Franchise Partners' goals was possible only because he and his colleagues were willing to work with Navigant on a completely collaborative basis and to take decisions quickly. "Throughout the project, all of the key partners would sit around the table with us, listen to the options and our views, and make a decision then and there," continues Macken. "A large, established organisation would have found it very hard to move that fast." The respect is mutual: "There were occasions when we would have been hard-pushed to come up with a solution for a particular operational problem," says Elmasry, "but Navigant were never fazed; they always had a way forward. We felt we could completely trust their judgement."

"We couldn't have got this business off the ground without Navigant's help," he sums up, "I can't say enough good things about them."



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