Case Study

From In-House to Outsource - Assessing The Right Path

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Challenge

Josephine is CFO and Head of Operations at a private equity firm, managing several billion dollars in assets. The firm had traditionally handled its back-office operations in-house. However, as the firm scaled, the team grew to a size where it no longer made operational or commercial sense to keep this work in-house. At the same time, investors were putting increased pressure on Josephine and the fund manager to outsource their accounting and reporting to a third party. Given the combined pressures, the firm recognized the need for a more scalable and efficient solution.

Solution

Josephine reached out to **Phoenix** to gain a clear understanding of how a transition to an outsourced model might unfold. **Phoenix** guided Josephine through various options available for this transition. In this case, the options discussed included fully outsourcing the operations and scaling back the internal team, undertaking a lift-out, or opting for a co-sourcing arrangement. Josephine found herself uncertain about which route to take, so she decided to engage **LewisLevy** for an advisory project. This decision was strategic, as it allowed her to leverage their extensive experience to consult on which option would be the most beneficial for the fund manager to pursue.

LewisLevy was able to discuss the various options in detail. They provided valuable insights and financial modeling based on each potential option, which helped Josephine understand the implications of each choice. With this comprehensive information at her disposal, Josephine was able to make a well-informed recommendation to the board, supported by concrete data. After careful consideration, the decision was made to proceed with co-sourcing. This approach allowed the fund manager to maintain control over their data and retain a portion of their existing team, while the accounting responsibilities would be handled by **Phoenix**.

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This arrangement also addressed the efficiency that investors had requested, ensuring that the fund manager could operate with greater transparency.

Moreover, co-sourcing enabled the firm to reduce costs significantly and free up valuable resources that could be redirected toward value-add projects. The transition process itself was straightforward, as there was no need for a complex system transition. **Phoenix** was able to log into the existing systems and begin working on the account immediately, ensuring a seamless handover. Josephine also planned to review the new operating model on an annual basis. If she determined that a fully outsourced model might be more effective in the future, the groundwork laid during this transition would make that shift even easier.

Results

By collaborating with **Phoenix** and **LewisLevy**, the firm achieved a substantial reduction in operational overhead while gaining access to a diverse pool of talent and advanced reporting infrastructure. This transition allowed the in-house team to concentrate on value-creation strategies rather than getting bogged down by routine administrative tasks. As a result, the firm experienced improved operational efficiency and heightened investor satisfaction, all while maintaining control over their data and key financial processes.

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The successful implementation of the co-sourcing model with **Phoenix** not only enhanced the firm's operational capabilities but also positioned it for future growth. Investors expressed greater confidence in the fund manager's ability to deliver timely and accurate reporting, which further solidified the firm's reputation in the market. Josephine's strategic decision to embrace this change exemplifies how leveraging external expertise can lead to significant improvements in operational effectiveness and investor relations.