

Achieve Peace of Mind

With Onshore Outsourcing of Your Investment Accounting and Reporting Tasks

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When decision makers within investment organizations are asked about outsourcing their investment accounting and reporting tasks, many respond with the same answers. “They won’t understand our business.” “Outsourcing takes jobs from Americans.” “We can’t really decrease our costs by much.” These common responses, while valid on some levels, do not necessarily apply to all outsourcing. In fact, with outsourcing providers offering investment accounting, reporting, and other financial services domestically, growing numbers of financial organizations, including public treasuries, pension funds, investment advisors, asset managers, and family offices, are increasing efficiency, reducing costs, and saving American jobs by outsourcing to onshore firms.

Middle- and back-office professionals within investment organizations are often tasked with the time-consuming, laborious, and administrative tasks associated with data management, transaction processing, reconciliation, information delivery and reporting, and performance measurement. In many instances, some of the aforementioned tasks are performed only at periodic intervals (monthly or quarterly), and the tasks require resources that would normally be assigned elsewhere. Realizing that the significant drain on internal resources detracts from internal staff members’ abilities to focus on their core competencies, many organizations have recognized the value of outsourcing.

“They Won’t Understand our Business”

When most of us think of outsourcing, we immediately envision technology development

and back-office services shops in Asia and Eastern Europe, where we are promised outstanding results for a fraction of the price when compared to the same U.S.-based service. For services such as software development, web design, and call center staffing, these offshore outsourcing providers often deliver on the promised quality and cost savings. However, in other, more industry-specific services, like investment accounting, offshore outsourcing providers may fail to maintain the consistent service levels that customers of U.S. investment firms are accustomed to. The mathematics and basic business processes may be constant, but would an offshore outsourcing provider have the domain expertise to resolve a data discrepancy that arose while reconciling corporate action entitlements with custodian banks? Out of fear that the answer to the previous questions would be “No,” American investment organizations have been somewhat hesitant to outsource any of their middle- and back-office functions.

Assuaging the fears of investment organizations, domestic portfolio management and investment accounting software firms – who have the necessary business acumen – have begun offering outsourcing services in recent years. QED Financial Systems, of Marlton, New Jersey, introduced their QED Accounting Services group in 2005 in response to the financial industry’s need for trustworthy outsourcing services. Providing portfolio accounting and securities operations software solutions to public and private financial and investment organizations since 1987, QED Financial Systems possesses the knowledge and expertise necessary to offer investment accounting services to organizations looking to outsource

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some of their middle- or back-office operations. Michael Dowd, senior vice president of QED, was instrumental in building the QED Accounting Services group. “Through interaction with several of our software customers, we realized that there was a tremendous need for outsourcing services, especially related to investment accounting,” states Dowd. “A simple Google search for ‘accounting outsourcing’ returns hundreds of results, with many of them pointing to offshore outsourcing service providers. Because of the unique nature of our industry, we felt that most U.S.-based investment organizations would not trust their middle- and back-office tasks to offshore organizations, so we offered them an onshore alternative.” The QED Accounting Services group now services several high-profile investment organizations, including some of the largest public treasury institutions in the United States.

“Outsourcing Takes Jobs from Americans”

In addition to providing the industry expertise needed to handle investment accounting tasks, onshore outsourcing providers enable investment firm executives to achieve peace of mind by outsourcing tasks to American workers. In many cases, the stigma associated with removing job functions from American workers and outsourcing them to offshore resources outweighs any potential efficiency improvement or cost savings. Therefore, with hopes of avoiding internal employee dissension, labor union disputes, and possible public relations nightmares, corporate decision makers may be more apt to outsource job functions to onshore service providers who pull resources from the U.S. workforce. Although jobs could be lost from the outsourcer’s side, jobs will be gained on the outsourcing service provider’s side. In the best case scenario, the outsourcer can redeploy the human resources whose job functions were outsourced, allowing them to focus on other tasks. No American jobs would be lost, and, in fact, new ones would be created.

“We Can’t Really Decrease Our Costs by Much”

The true cost savings realized by outsourcing job functions to onshore service providers is usually the deciding factor when firms contemplate outsourcing. If the reward does not outweigh the risk, no corporate executive in her right mind would think of outsourcing. However, when speculating about the potential for cost savings, all factors must be considered. For example, the cost of licensing, supporting, maintaining, and using a topnotch investment accounting software system may be exponentially more than outsourcing the same services, especially when you account for license and maintenance fees, hardware costs, and internal staff salaries and benefits. What’s more, the increased efficiency realized by outsourcing certain time-consuming business tasks and enabling internal employees to focus on more crucial, revenue-generating jobs directly affects a company’s bottom line. Internal human resources will not be spread as thin, business processes will not be disjointed, and expected service levels will not be disrupted. With these factors in mind, corporate decision makers can safely conclude that they can decrease costs and increase efficiency by outsourcing middle- and back-office investment functions.

Peace of Mind

Rest assured that the negative connotations sometimes associated with offshore outsourcing are not congruent to domestic, or onshore, outsourcing. Through adequate research, proper planning, and frank discussions about business processes and expectations, outsourcing middle- and back-office investment management functions to expert service providers in the United States does not have to be a painful process. Rather than struggling with time-consuming, labor-intensive, deadline-oriented tasks that adversely affect your organizations productivity, achieve peace of mind by outsourcing those tasks to a qualified firm.

Accounting Services from QED Financial Systems, Inc.

Leveraging investment management expertise and the processing power of the Q2 Investment Workflow System, QED Accounting Services offers customized investment accounting and portfolio management solutions to institutional investment firms, pension funds, investment advisors, state treasuries, and other buy-side firms. QED Accounting Services relieves investment firms of the burdens associated with data management, transaction processing, reconciliation, information delivery and reporting, and performance measurement.

