

## **Fund Managers are leaving money on the table, says CEO of Investmaster**

According to Tom Brady, CEO of Investmaster Group Limited, fund managers are leaving money on the table because of under-investment in fee billing and invoicing systems. In this article, he explains why this is happening and what fund managers can do about it.

With the weight of regulatory pressures and the need to stay ahead of competitors to remain in business, the number of investment management firms with sub standard fees billing and invoicing systems may come as a surprise.

In some cases the finance department is not getting enough of the investment manager's IT budget, which could in fact see the firm losing money in the long term. Often having to use ad-hoc and unauditable Excel based systems, companies are frequently unaware of better and more robust solutions.

Where does the demand for efficiency lie within the finance office? And how can this be achieved with benefits for both the investment manager and the client? Improved cashflow, efficient business processes, low operating costs and a high level of client service are just some of the benefits of an advanced solution and essential for investment managers to remain competitive in an international market, so why are companies still reluctant to upgrade?

The demand for efficiency in the finance office is obvious. The financial side of any business is its lifeblood and no matter how successful any other part of the operation, if finances are in disarray very often there will be a serious impact on the rest of the business. Fees billing and invoicing systems are an integral part of any finance office and an up-to-date, high performance solution can result in many and varied benefits, some of which may not be obvious from the outset. Many investment management firms still have outdated, cumbersome systems that mean it can take between 12 and 13 weeks to produce quarterly invoices, a more up-to-date system could cut this time down to four or five weeks after market values close. Highly automated, less labour intensive systems mean that invoices are sent out earlier and therefore payment received sooner making a direct impact on cash flow and often earning a significant amount of interest, in some cases this can amount to hundreds of thousands of pounds. Cash flow can also be affected by human error – an advanced fees management system can identify missing revenue where data has been incorrectly entered, saving the firm, in some cases, between 2 and 4% of its revenue.

Apart from having a direct impact on cash flow, a further benefit of a sophisticated fees billing system is the effect on client service. Aside from offering the client reliable information swiftly, it is possible for invoices to be presented in the way they choose. In today's competitive market, better client service in line with 'know your client' regulation is a key differentiator. In the world of investment management, accuracy, detail and flexibility rule and providing these across the board can make a real difference to the service your clients receive. Consolidating data across multiple back-office systems means reports and analytics can be more easily and reliably

compiled and provides a central point of reference of all revenue data. Although not traditionally at the top of the list when it comes to the services valued by clients it can be argued that the administrative documents you send out are essentially the face of the company, so an unreliable or manually intensive billing system that allows errors can seriously undermine the entire offering.

Lowering operating costs is an area all companies seek to achieve and with many of the functionally-rich, technically-powerful systems on the market it is something that is becoming increasingly easy. One example of a labour intensive task that can be automated is the simple task of producing and approving an invoice. Often there will be a process by which an operative produces the invoice for someone more senior to sign-off. With the most advanced systems available, such as Redi2 Revenue Manager™, this process is significantly reduced. The system will automatically produce the invoice and run a series of exception checks related to the rules that have been built in. If it fails any of these exception checks the automated solution will flag this for manual inspection, which can be carried out online via a web interface. The time and cost savings achieved here allow resources, such as staff, to be re-directed to other business functions.

Another key driver for investment managers is the need to comply with industry regulations. Regulatory demands mean that companies are being forced to change systems, as existing solutions are simply not good enough. Choosing a compliant solution that provides audit trails is another tick in the box therefore taking the pressure off for many firms.

When considering the benefits that can be gained from an up-to-date system it seems crazy that many investment management firms are still reluctant to upgrade. The 'quick-fix' approach, coupled with a need often present in the finance department to keep a tight reign on budgets, frequently leads to companies continually maintaining an outdated system. Adopting a long-term approach can be highly beneficial, as the payback from running an efficient system is always greater than constantly maintaining an outdated solution. Many investment management firms are also simply unaware of the advances in fee billing and revenue management systems in recent years and may not realise to what extent the outdated processes still in place can be improved leading to a much more efficient operation.

Regulatory pressures, an increasingly competitive market and cost issues are the key drivers in the investment management market and implementing an up-to-date fees billing and invoicing solution is an important part of the full service operation that your customers and the industry now demand.

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