

# Navigating Challenges in Investment Office Operations & Technology: Insights and Observations.

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*Learn from yesterday, live for today,  
hope for tomorrow.  
The important thing is not to stop questioning.  
— Albert Einstein*

*We should not look back  
unless it is to derive useful lessons from past errors,  
and for the purpose of profiting  
by dearly bought experience  
— George Washington*

The landscape of investment office operations is far from straightforward. Through years of hands-on involvement in diverse projects, we have gleaned valuable insights that can assist investment professionals in optimizing their operations. In this paper, we share these observations, aiming to help investment offices avoid common pitfalls and achieve greater success.

## Thinking of Investment Offices as Alpha Manufacturing Plants

One valuable perspective is to view investment offices as akin to alpha manufacturing plants. This metaphor underscores the importance of consistent processes and methodologies in producing successful investment outcomes. Just as manufacturing plants rely on precision and efficiency, investment offices benefit from well-defined practices that produce superior results.

## Budget Constraints and Hiring

One common challenge for investment offices is budget constraints, particularly with regard to hiring. Expanding the capacity of an investment office often necessitates hiring additional personnel. It is important to recognize these constraints and devise strategies to maximize the existing workforce's productivity.

## The Confines of "Best Practices" in Investment Processes

Investment processes are often bound by the confines of "Best Practices." While these standards offer a solid foundation, we must acknowledge that the best we can achieve within this framework is, indeed, best practices.

### The Pivotal Role of Investment Office Technology

In the modern era, technology stands as the sole pillar capable of delivering limitless productivity enhancements within our lives, and therefore within the investment offices. It is necessary to highlight the transformative potential of technology and advocate for a shift in perspective—from viewing it as a “nice-to-have” to recognizing it as a “must-have.”

### Rethinking the Notion of Investment Linearity

Investing is often perceived as a linear process, which, in turn, has historically influenced system selections. Officers must explore the limitations of this linear approach and think of alternative perspectives that can lead to more effective system choices.

### The Indispensability of Microsoft Excel and Shared Drives

Despite the technological advancements, investment offices continue to rely heavily on Microsoft Excel and shared drives. Usage must be shifted from production to analysis only.

### Data Challenges in the Age of Private Investments

With the growth of private investments, collecting data has become a tedious, error-prone task for many investment offices. There are a handful of stand-alone elegant solutions that can help. Seek them.

### Recognizing the Uniqueness of Investment Offices

Investment offices, while sharing certain similarities, are often as unique as snowflakes. Vendor selection made by peers may not necessarily align with the specific needs of your investment office. A tailored approach is essential.

### Parent Organization's Technology Support

It is essential to understand that the technology staff of the parent organization may not possess the expertise required to adequately support the investment office. Their main concern is privacy and security.

### Digital Transformation in Investment Offices

Despite multiple system selections and implementations, many investment offices still do not feel digitally transformed. Contractual commitment to inter-system connectivity must be evaluated with every technology decision.

### The Pitfalls of “Build Your Own” Solutions

The “build your own” approach has seldom yielded successful outcomes in investment offices. Face it. You are not a software development shop. Select a vendor and work with them to achieve your custom needs.

### Integrating Portfolio Management and Risk Management

A recurring mistake in investment offices has been the separation of portfolio management from risk management. They should both fall under the umbrella of portfolio management for more holistic decision-making.

## The Significance of IBOR Over ABOR

Investment Book of Records (IBOR) holds more significance than Accounting Book of Records (ABOR) for investment office decision making. The custodian is the owner of your ABOR. Build your IBOR process separately.

## Vendors and Their Limitations

Many vendors attempt to be all-encompassing solutions. Such vendors can only excel in a few categories of services. Often, many aspects are mediocre.

## Reevaluating Vendor-Defined Concepts

Vendors have introduced self-serving definitions (e.g., what is a document?) to enhance the perception of their product offering/coverage. Form your own definitions, then make sure the vendors can deliver.

## The Elusive Golden Copy

One of the challenges faced by investment offices is maintaining a "golden copy" list of current investments. The number of allocated funds is discreet and exact, not approximate.

Conclusion: Investment offices are rife with challenges, but with careful consideration and informed decision-making, these challenges can be transformed into opportunities for growth and success. This paper provides insights for investment professionals seeking to navigate the complex landscape of investment office operations and technology.

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[Cordatius is an agency-based management consulting company focusing on the investment offices of long-term investors across policies, technology, processes, and operations. Cordatius focuses on clients' data and digital transformation so they can focus on their Alpha.](#)

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