

## **Striking the balance: The importance of technology and people in fund administration**

When talking with potential fund administrators, managers will no doubt want to understand the strengths and benefits of an administrator's chosen technology stack. However, whilst systems are no doubt important in streamlining processes and delivering accurate and timely results, technology is only as capable as the individuals operating it.

In this article Dave Bridger, Corvus Group's Head of Fund Administration, provides his views on the continued importance of people in fund administration businesses and how the right combination of modern technology and suitably skilled individuals is vital to optimising client service delivery.

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### **Introduction**

When choosing a fund administrator there are many things to consider, but historically at the top of most managers' lists for discussion were, *"What technology do you use?"* and *"Who are the people we will be working with?"*.

The rapidly evolving power of technology has, however, led to an increasing focus on an administrator's technological (rather than human) capabilities. Whilst it would be foolish to think that technology does not play an increasingly vital role in the delivery of administration services, the role of individual team members is far from redundant in our view.

In this article we will look at the current fund administration market and explore why technology and people should be considered of equal importance by administrators and their clients alike.

### **Technological improvements**

Technology is becoming ever more sophisticated. Recently we have seen technology forming a key element of administrator sales pitches and client queries about technology have become increasingly prominent in due diligence processes. When pitching for work, a fund administrator will undoubtedly ensure it speaks about the latest trends in technology, such as Optical Character Recognition (OCR), Machine Learning and Straight Through Processing, and they will explain to prospective clients the many and varied things that their systems can do. But in terms of the final service product that managers receive, to what extent is this technology utilised to full advantage?

### **Current technology in practice**

I have been in the fund administration industry for over a decade, and it continues to amuse me that many

administration businesses often still rely on the safety blanket of Excel spreadsheets behind the scenes.

In my view, part of the reason for this is that the people who use the technology are not sufficiently trained in how to fully utilise it, nor suitably qualified and knowledgeable of their subject area to maximise the technology's potential and interrogate its results. Excel is very much a known quantity among fund accountants and something which many may feel more comfortable working with than their employer's chosen fund accounting system (the functionality of which can be complex and which varies provider-by-provider). Also, issues with the availability and functionality of Excel and Office generally are (relatively speaking) few and far between, so fund accountants may prefer to avoid the functionality, compatibility and/or availability issues that can arise when using legacy systems laden with years of historic data.

Looking at the impact of the increasing use of technology in fund administration more broadly, an over-reliance on technology can mean that staff do not fully understand what they are doing, because the system does much of the thinking for them. As a result, staff may become too dependable on technology and, when something goes awry or a client request is received that requires some lateral thinking, they are unable to resolve the issue or adapt.

Furthermore, although technology is often designed to provide standardised outputs, human inputs and the human interpretation of outputs creates inherent variability. Different individuals using the same technology can yield different results based on their proficiency, experience and approach, which undermines the value of the system itself.

Too often, an increased focus on technology can lead to administrators not having sufficient focus on developing their staff's fundamental skillsets and, in our view, an administrator who neglects staff training and professional development does so at its (and its clients') peril. If staff are not sufficiently skilled in how to operate a system and/or lack understanding of the underlying functions that the system is performing for them, the system will underperform and/or be underutilised. From a manager's perspective this is obviously sub-optimal. Data-related requests, which a system may in fact be capable of fulfilling, may be denied, promised efficiencies may not be realised, system inputs may be incorrect or incomplete and erroneous system outputs may not be interrogated.

Utilising Excel as a backup is fine of course, but given that the cost of an administrator's tech stack is passed on to its clients, an overreliance on Excel behind the scenes hardly presents value for money from a client perspective.

## **Future technology**

The integration of ever more advanced technology into fund administration businesses does raise concerns. Given the pace of technological evolution, there is a risk of creating systems that outpace the ability of administration staff to understand and operate them. Complex algorithms and intricate system architectures spanning multiple asset classes may confound even seasoned accounting and administration professionals, who may become increasingly unable to comprehend the functionality of and the results produced by their systems. It is also likely that the number of people who have sufficient qualifications or technical knowledge to undertake client-requested development work, or to simply fix the technology when it fails, will be severely reduced. Systems may also become overly rigid due to their complexity, resulting in inflexible technology platforms that are unable to adapt to new scenarios.

## **A balanced view of the role of technology and people**

Advancements in technology have revolutionised the landscape of fund administration, offering streamlined processes, tighter controls, enhanced efficiencies and improved accuracy. Automated systems have significantly reduced the number of manual processes, minimising human errors and increasing the speed of transaction processing.

Although the use of technology is clearly important, its thoughtful deployment is essential, as is the continued development of those who operate it. Having access to the shiniest or most expensive toys in the box is wonderful, but if you do not know how to play with those toys their upsides are, in reality, limited.

As mentioned above, it is crucial to acknowledge that technology is only as effective as the individuals tasked with implementing and utilising it. A skilled workforce capable of harnessing the chosen technology's potential is essential for maximizing its benefits and mitigating its limitations. Training programs, continuous education, and upskilling initiatives are imperative to ensure that personnel remain adept in their chosen fields, in addition to possessing the skills required to navigate the evolving technological landscape.

From a client service perspective, until we as a society are more comfortable interacting with enhanced technology in lieu of people, I believe that human interactions foster stronger client relationships, instil greater trust and result in a level of personalised support that technology alone simply cannot replicate.

Whilst there may come a time when technology possesses the insight and adaptability to unilaterally resolve truly complex or ambiguous problems and an era when the accuracy and availability of technology becomes infallible, for the

foreseeable future it remains essential to underpin technology with a bright, skilled and motivated team.

With all of the above in mind, in my view the convergence of technology and human expertise should be a synergistic partnership that leverages the strengths of both. As such, it is not about valuing technology over people or vice versa, but rather about striking a balance that optimises both in the best interests of clients.

### **Conclusions and the Corvus approach**

In the current climate, where so much emphasis is placed on technology, it feels as though it is somewhat going against the grain to say that technology is not the most important factor when it comes to selecting a fund administrator.

At Corvus Group, we take the view that the capabilities and development of our people and our systems are equally important. As a prospective client, we believe it is important to be satisfied not only with the technology at your fund administrator's disposal, but also with the people you will rely on to operate that technology and who ultimately deliver the services that you and your investors are paying for.

We at Corvus Group understand the continued importance of people in an increasingly technology-focussed world. As such, we ensure that the individuals responsible for operating our technology and delivering our services have the requisite experience and knowledge to

perform to the standards our clients demand.

If you would like to speak with us regarding our services or any of the topics raised in this article, please do not hesitate to contact us.

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**The Corvus Group** is an independent provider of administrative and advisory support services to the closed ended funds and asset management industries.

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