

PRACTITIONER GUIDE · 2026 EDITION

# *Operational Reality:* **The Minimum Viable Institutional Platform**

A field guide for emerging managers navigating institutional capital markets.

Emerging managers often think about operational due diligence as something that happens after an allocator has decided they like the strategy. That distinction has changed materially. Today, operational due diligence is embedded directly into investment underwriting itself.

## SECTION 1

### **Operational Readiness Is Now Part of the Fundraising Process**

Institutional allocators are no longer simply asking: “Can this person generate returns?” Because that is the literal bare minimum expected of a fund manager.

They are asking: “Does this organisation actually look capable of responsibly managing institutional capital?” That is a very different question.

Consultants, pensions, family offices, OCIOs, seeding platforms, and institutional allocators are screening earlier and faster than ever before. Operational maturity is increasingly being used as a proxy for broader organisational quality. Infrastructure alone does not secure capital. But operational incoherence absolutely kills fundraising momentum.

#### A CRITICAL REALITY CHECK

*“You need to actually build something people want to invest in first. A huge number of managers approach fundraising as though the problem is simply: Not enough investor meetings. But often the real problem is: The operating model is not institutionally investable yet.”*

This does not mean emerging managers need to resemble multi-billion-dollar platforms from day one. Allocators understand proportionality. But what they increasingly expect is evidence of intentionality.

#### WHAT ALLOCATORS EXPECT TO SEE

- **Institutional Requirements** — understanding of what is needed
- **Operational Risk** — awareness and management of key risks
- **Governance Expectations** — defined decision-making structures
- **Control Environments** — proportionate controls in place
- **Escalation Processes** — clear paths for handling issues
- **Operational Resilience** — ability to continue under stress
- **Service Provider Architecture** — appropriate vendor selection
- **Scaling Roadmap** — how the business is supposed to grow

## SECTION 2

# How Institutional Due Diligence Actually Works

One of the biggest disconnects: a huge number of emerging managers fundamentally do not understand how institutional due diligence actually works.

THE MYTH	THE REALITY
<ul style="list-style-type: none"> <li>• One intro call</li> <li>• One pitch</li> <li>• Maybe a DDQ</li> <li>• Couple of follow ups</li> <li>• Allocation lands two weeks later</li> </ul>	<ul style="list-style-type: none"> <li>• Multiple teams, multiple decision-makers</li> <li>• Internal politics and governance processes</li> <li>• Portfolio construction and risk reviews</li> <li>• Committee approvals, endless follow-ups</li> <li>• 6–24 months for the full process</li> </ul>

## What a Standard ODD Review Includes

Once the operational due diligence process formally starts, it becomes very real very quickly. A standard ODD review includes:

- Extensive data requests and full data room reviews

- Governance and compliance reviews
- Service provider reviews
- Cybersecurity reviews
- Operational walkthroughs and workflow testing
- Management interviews and detailed operational questioning
- Onsite operational review — can last 3 hours, 5 hours, a full day, or multiple sessions

#### TIMELINE TO EXPECT

A proper institutional ODD process alone can easily take anywhere from **4 to 20 weeks**. The broader institutional fundraising process can realistically take **6 to 24 months**. Smaller, less institutional allocators move faster — but the big institutional allocators move slowly because they are underwriting risk extremely carefully.

### SECTION 3

## The Emerging Manager Misconception

One of the most common misconceptions among first-time and emerging managers is the belief that they are “too early” to institutionalise operationally.

This often manifests in subtle but damaging ways. Governance frameworks remain undefined. Service provider oversight becomes reactive. Policies are drafted hurriedly during diligence rather than embedded operationally. DDQ responses are inconsistent or contradictory because no central operational narrative exists.

Allocators generally do not expect a Fund I manager to look like Blackstone. They do, however, expect the manager to look organised, intentional, and operationally self-aware.

#### DEATH BY A THOUSAND CUTS

Most operational failures during fundraising are not catastrophic. Confidence deteriorates gradually through accumulated operational ambiguity: a DDQ takes three weeks longer than expected because documentation does not exist; a valuation answer changes between meetings; ownership structures are described differently across materials; policies appear copied from larger firms but do not reflect actual workflows.

**These issues create doubt. And doubt is the worst feeling you ever want an allocator to have.**

## Allocator Pattern Recognition

Institutional allocators are not reviewing emerging managers in isolation. They are pattern matching continuously against hundreds of previous diligence processes, operational interactions, and historical manager outcomes.

Experienced allocators quickly recognise whether a manager understands institutional expectations. They identify whether infrastructure appears intentional or improvised. They assess whether governance has been thoughtfully designed or reactively assembled.

Sophisticated allocators can usually distinguish between institutional documentation and institutional behaviour within a handful of diligence interactions. Sometimes this happens in the first 10 seconds of a meeting or the first two lines of an email — and once that feeling emerges, it is impossible to shake.

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### SECTION 4

## The Minimum Viable Institutional Platform

The objective is not operational perfection. The objective is the creation of a minimum viable institutional platform: an operational environment demonstrating governance awareness, process discipline, proportional controls, and credible scalability.

Institutional allocators generally care far less about whether a manager has expensive systems than whether the organisation appears operationally stable, internally coherent, and realistically scalable.

#### THE ABSOLUTE BASELINE

If you cannot clearly articulate the following, you are wasting your time fundraising as you are presenting something that is borderline uninvestible:

- How decisions are made
- How risks are controlled
- How cash moves
- How valuations are governed
- How conflicts are handled
- How operational failures would be escalated

## Governance & Decision-Making

Governance is often the clearest differentiator between emerging managers who appear institutionally credible and those who do not. Undefined governance creates significantly more concern than concentrated governance. **Solo GPs are acceptable. Undefined governance is not.**

- Who makes investment decisions
- How valuation decisions are overseen
- How conflicts are escalated
- Who can approve cash movement
- How operational incidents are handled
- Where authority sits during absences or key person events
- How governance evolves as AUM scales

### ON PROPORTIONALITY

Does a three-person firm with \$15M in AUM need 11 committees? No. The three essential committees are: **Management Committee, Investment Committee, and Valuation Committee**. Any more and you are fast approaching a vanity project. For emerging managers, overly complex governance can have the same effect as having no governance.

**SECTION 5**

# Fund Structure & Service Providers

Allocators increasingly scrutinise whether operational infrastructure is proportionate to structural sophistication. Complex structures are not inherently problematic. Poorly supported complexity is.

Independent fund administration, in particular, is no longer viewed as optional institutional infrastructure for managers seeking serious institutional capital. Managers attempting to raise institutional capital without an independent fund administrator are increasingly unlikely to progress through allocator operational due diligence.

**WHAT FUND ADMINISTRATORS ACTUALLY DO**

- NAV calculation and investor allocations
- Subscription and redemption processing
- Cash reconciliation
- Financial reporting support
- Coordination with auditors and tax providers
- Capital account maintenance
- Investor registry maintenance
- Portfolio reconciliation
- Waterfall calculations
- Independent books and records

## Understanding Provider Roles

One of the most common misconceptions is confusion around the respective roles of fund administrators, CFOs, compliance providers, auditors, and operational consultants. This often leads to dangerous operational gaps, duplicated responsibilities, or unrealistic assumptions.

<b>Fund Administrator</b>	Fund administrators are typically responsible for independent NAV calculation and oversight, maintenance of books and records, investor registry administration, cash and position reconciliations, and financial and investor reporting. However, the appointment of a fund administrator does not remove the fund manager's responsibility for internal operational oversight, governance, review and challenge of service provider outputs, or overall accountability for the accuracy and integrity of the fund's operations and reporting.
<b>CFO</b>	Management company finance, operational oversight, budgeting, vendor management, governance coordination
<b>Compliance Provider</b>	Regulatory compliance, policies, testing, CCO function, examination support
<b>Auditor</b>	Annual fund audit — does NOT operate the fund
<b>Legal Counsel</b>	Legal advice — does NOT oversee operational governance

**BEWARE OF WRONG ADVICE**

One particularly persistent example is the suggestion that emerging managers can avoid independent fund administration by hiring an internal CFO instead. This is wrong. The alternative investment industry has developed an increasingly noisy ecosystem of self-proclaimed thought leaders whose primary expertise appears to be posting confidently online. **Confidence and competence are not the same thing.**

**SECTION 6**

# Good Signals vs Weak Signals

Allocators are usually looking for indicators of organisational intentionality rather than institutional perfection.

STRONG SIGNALS	WEAK SIGNALS
Clear articulation of current operational limitations	Overengineered structures unsupported operationally
Proportional governance structures	Founder-controlled cash movement without oversight
Consistent DDQ responses	Unclear valuation ownership
Independent administration engaged early	Inconsistent language across materials
Transparent service provider relationships	Copied policies disconnected from reality
Defined operational ownership	Performative governance
Operational self-awareness	Unclear regulatory positioning
Realistic scaling roadmaps	Fragmented documentation
Coherent data room organisation	Inability to explain operational workflows
Clear workflows and escalation paths	

## What Can Be Deferred — and What Cannot

Not everything needs to be built immediately. The distinction is important because emerging managers often allocate resources inefficiently.

**CAN REASONABLY DEFER**

- Expensive OMS or PMS infrastructure
- Internal COO hires
- Proprietary technology development
- Large internal compliance teams
- Dedicated IR functions
- Enterprise-grade operational tooling

**CANNOT DEFER WITHOUT RISK**

- Governance clarity
- Independent administration
- Cash controls
- Valuation ownership
- Operational procedures
- Cybersecurity baselines
- Escalation processes
- Investor reporting discipline

**SECTION 7**

# Institutionalisation Is a Process, Not a Launch Event

Fund management is hard. Fundraising is hard. Building an institutional operating platform from scratch is hard. But equally, none of it is impossible.

One of the biggest mistakes emerging managers make is psychologically convincing themselves they need to build a fully institutional global asset management platform overnight before they are “ready” to start. That is not how any of this works. Every established fund manager started somewhere.

**THE LEGO PRINCIPLE**

The best way to think about institutionalisation is like building with Lego bricks. You do not throw 4,000 bricks on the floor and expect a functioning city to emerge. You build one piece at a time. **Foundation first. Then structure. Then reinforcement. Then complexity. Then refinement.** Each new layer needs to properly connect to the layer underneath it.

The strongest emerging managers tend to scale infrastructure intentionally in line with complexity, AUM growth, investor expectations, and operational risk. Not perfection on day one. Just consistent, thoughtful progress over time. And honestly, allocators are generally much more comfortable with that reality than emerging managers think.

## ABOUT THE AUTHOR

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Lewis has conducted and participated in more than 600 operational due diligence reviews across hedge funds, venture capital, private equity, private credit, long-only, and digital asset managers globally. His experience includes reviewing managers ranging from first-time emerging firms through to multi-billion-dollar institutional platforms.

Prior to founding East Emblem, Lewis held roles at J.P. Morgan, Man Group, and Amundi Asset Management, focusing on operational due diligence, fund platform oversight, operational risk, governance, and institutional manager evaluation.

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