

Operational Due Diligence and Independent Fund Directors: Working Together to Broaden Expertise and Advance Industry Standards



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Building on the concepts outlined in Waystone's earlier marketing piece, *Operational Due Diligence and Independent Fund Directors: Collaborating for Success*, which explored the alignments of interest between Operational Due Diligence (ODD) professionals and Independent Directors, this article takes a deeper dive into the dynamics of these relationships.

ODD professionals and Independent Directors play distinct but complementary roles in the investment industry, working together to ensure strong governance, operational excellence, and investor protection. In this Q&A, [Julianne Recine](#), an Independent Director at Waystone, and [Nicole Ford](#), Principal and Director at FLP Atrato Consulting, address how their roles intersect, the value of collaboration, and the opportunities for education that can elevate industry standards.

Aligning Roles Through Shared Goals

How does the role of an Independent Director align with the responsibilities of ODD professionals?

Julianne Recine: Our roles are closely linked because both focus on protecting investor interests. As a director, my job is to provide governance and oversight, but I also act as an advisor to investment managers and general partners. This includes helping them refine their practices and ensuring they're equipped to navigate regulatory challenges. ODD professionals bring a valuable external perspective to these efforts by rigorously assessing operational integrity, which complements our internal work.

Where do you find the most significant overlap in the responsibilities of the Independent Director and ODD professional?

Nicole Ford: I'd say it's the shared goal of ensuring that fund managers operate with strong governance and compliance frameworks. ODD professionals dig deeply into the operational and risk management practices of fund managers to ensure they meet high standards, while directors provide ongoing oversight and guidance to keep those practices robust over time. Our methods may differ, but the alignment of our objectives is what makes collaboration so impactful.

The Importance of Collaboration and Education

Collaboration between ODD professionals and directors is often emphasized, but how can it be made more effective?

Julianne Recine: One way is through better communication about each group's priorities and processes. For example, if ODD professionals understand the governance challenges directors face, they can tailor their evaluations of directors' responsibilities more effectively. Similarly, directors can learn a lot from the investor feedback and operational insights ODD professionals gather, which helps us better align our oversight with investor expectations.

What do you see as the role of education in fostering this collaboration?

Nicole Ford: Education is critical – not just for improving collaboration, but for raising industry standards overall. When ODD professionals and directors share knowledge, whether it's about regulatory shifts, red flags encountered in reviews, or investor priorities, it enhances both roles. This mutual learning creates a stronger foundation for governance and operational excellence, ultimately benefiting the entire industry.

Evaluating Independent Directors

What are the most important things ODD professionals should consider when evaluating Independent Directors?

Nicole Ford: When evaluating directors, there are a few key things to keep in mind. First, they need a solid understanding of the governance standards in their jurisdiction – like the Cayman Islands' Corporate Governance Rule – since that's foundational to their role. It's also important to think about whether their skills match the fund's needs. For example, if you're working with early-stage managers, a director with experience guiding new ventures can make a big difference. How they run meetings is another good indicator of their governance style, especially when you ask how they handle tough issues outside the formal agenda. Accessibility matters too – directors who are available beyond scheduled meetings show they're really invested in the fund's success. Finally, having access to support, whether it's a team or experienced colleagues, can make all the difference when tackling complex challenges.

From the director's perspective, what do you think ODD professionals sometimes overlook in these evaluations?

Julianne Recine: Transparency is one area that's often underestimated. Directors who are open about their governance approach, workload management, and problem-solving strategies can build stronger trust with ODD professionals. Additionally, asking about how directors handle challenging situations – whether it's regulatory changes or conflicts within the fund – can provide critical insight into their ability to navigate complexity effectively.

Supporting Directors in Meeting Expectations

How can ODD professionals better support directors in meeting investor expectations?

Nicole Ford: We can start by clarifying what institutional investors prioritize – such as strong governance, transparency, operational rigor, and risk mitigation. This helps directors align their oversight with those expectations. Additionally, we can assist by keeping an open dialogue with directors and providing insight into what institutional investors may expect from a meeting.

What is the most valuable support directors can receive from ODD professionals?

Julianne Recine: Understanding jurisdictional nuances is invaluable. Directors who oversee funds across multiple jurisdictions often deal with varying regulatory frameworks, and cooperation from ODD professionals on these nuances can make a significant difference. Another area is proactive engagement – ODD professionals can provide insights into investor feedback or emerging industry trends, which directors can use to guide managers toward better practices. Also, keeping an open exchange where we inform one another of industry trends and expectations is the best means of support.

Continuing Education and Collaboration

What role does continuing education play in enhancing collaboration between directors and ODD professionals?

Julianne Recine: Education is essential. Directors and ODD professionals both encounter unique challenges, and sharing these experiences helps refine our approaches. For instance, discussing operational weaknesses or red flags uncovered during reviews gives us valuable lessons to apply in the future. Industry events and professional networks are great platforms for these conversations.

How can ODD professionals benefit from these educational opportunities?

Nicole Ford: It's a two-way street. Directors bring firsthand knowledge of fund operations and governance, which can provide ODD professionals with deeper insights into how decisions are made. At the same time, directors benefit from understanding the broader trends and investor expectations that ODD professionals encounter. This exchange of knowledge strengthens both roles and, ultimately, the industry as a whole.

What are some of the key take-away's from this discussion?

Julianne Recine: The value of collaboration and mutual understanding. When ODD professionals and directors work together, they not only strengthen governance and operational oversight but also raise the bar for the entire industry. By sharing insights and aligning our efforts, we can better support fund managers in meeting investor expectations and achieving long-term success.

Nicole Ford: I'd emphasize the importance of education and communication. By learning from each other's experiences and perspectives, ODD professionals and directors can enhance their individual effectiveness and foster a culture of transparency and trust that benefits all stakeholders.

Conclusion

This conversation underscores the complementary roles of ODD professionals and Independent Directors. By prioritizing collaboration, education, and mutual respect, they play a vital role in protecting investor interests and elevating governance standards across the investment industry.

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