Smart Sourcing

Smart Sourcing Program

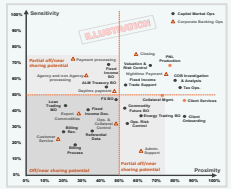
A four-step approach to smart sourcing project

Target Location strategy

- **Benchmark local markets and identify accurate assumptions** required for the elaboration of the business case (prepare 2 scenarios including one more conservative with specific buffers):
  - ✓ **Quantitative metrics**: labor costs, tax incentives, premises costs
  - ✓ **Qualitative metrics**: labor market depth, regulation, labor law, political stability, education level of workforce, languages spoken, quality of infrastructures, difficulty to travel (visa)

Transferability Study

- **Ensure a proper current state assessment to identify transfer constraints** in terms of proximity, process maturity and stability, complexity, time zone, regulatory…
- **Define appropriate performance measures** (weighting of different axis, additional requirements to be taken into account etc.)
- **Assess qualitative & quantitative benefits** (ROI, costs and savings)
- **Check the organization "readiness"** and pay attention to the communication

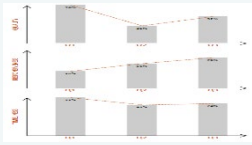


Target Operating Model Design

- **Define and formalize split of roles and responsibilities** between onshore and offshore teams
- **Identify potential synergies** between units and evaluate gains of **centralization or pooling**
- **Revamp some processes to optimize the workload and avoid redundancies**
- **Assess the risks** related to the transfer and **define mitigation actions**

Transition & Oversight

- **Design KPIs** to evaluate the team's performance on a regular basis (quality, responsiveness, timeliness…)
- **Perform Voice of Customer** (onshore clients) **to ensure overall satisfaction**
- **Track the realization of the business case** (ROI, unexpected costs etc.) **and escalate if need be**
- **Implement specific Governance related to near/off location**
- **Plan in the project a reorganization of both teams after the transfers (optimization phase)**



Smart Sourcing Program | Transferability study

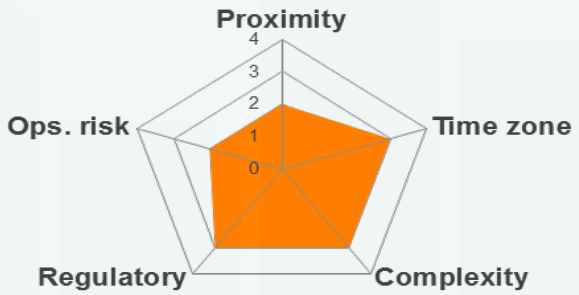
Key actions	Deliverables
› **Ensure a proper current state assessment to identify transfer constraints** in terms of proximity, process maturity and stability, complexity, time zone, regulatory constraints etc.	Transferability matrix & relocation opportunity
› **Define appropriate performance measures** (weighting of different axis, additional requirements to be taken into account etc.)	Transferability matrix & relocation opportunity
› **Assess qualitative & quantitative benefits** ✓ Costs & savings ✓ ROI	Business case
› **Check the organization "readiness"** and pay particular attention to the communication	Macro perception survey Communication package

CH&Co. experience

- ✓ Finance Function off shoring study (CIB)
- ✓ Performed a study in order to assess
- ✓ Feasibility and benefits of off shoring Finance function processes and clear assessment of potential savings / costs and phasing
- ✓ Near shoring and off shoring for ITO Capital Markets (CIB)
- ✓ Analyzed opportunities of near shoring and off shoring for support functions (Back Office, Middle Office and IT) in order to validate target locations, identify transfer opportunities, define the implementation roadmap and measure costs and savings

Challenge/ issues identified	Mitigation/ Outcome	Takeaways
Specific transferability constraints	› Each axis of the transferability matrix have to be weighted and each criteria may constitute a sufficient constraint to a relocation (regulatory constraint is a transferability breaker)	✓ Perform an "on the field" analysis to properly identify relocation constraints ✓ Study a process as a whole not as an addition of tasks
1 to N relationship" between onshore and near/off shore locations	› When performing business case, HC relationship ratio between current and target location has to be properly identified (transfer of 1 Operation HC from NY may require 1.35 HC in Mumbai for instance)	✓ Target location labor to be weighted according to "1-to-N relationship"

Smart Sourcing Program | Transferability study | Methodology

	Assessment criteria	Illustration
Analysis axis - Operations	› **5 axis assessment:** › **Proximity**: level of interactions and proximity with other departments and/or clients › **Time zone coverage**: necessity to cover the time zone › **Complexity**: level of automation and/or complexity of the process, specific expertise required › **Regulatory constraints**: regulatory specificities requiring to keep the function in its original location › **Operational risk**: level of stability and maturity of the processes	
Analysis axis - IT	1. A first evaluation based on the functional and technical competencies required, as well as proximity needs is conducted by function: Business analyst / Project Manager, Development and testing, Support 2. The analysis is then performed by application on the following axis: › Deployment: global vs. local and time zone coverage › Application type: vendor/in house › Application stability: number of critical and non-critical issues per week, business impact in case of major issue › Complexity: number of interfaces with other systems, code maintenance, level of documentation	✓ **Transfer opportunities are ranked by level of constraints** ✓ **Transfers will be split between several phases once the implementation of the easily transferable functions is successfully performed** ✓ **Analysis axes weights may vary between units, and one axis might constitute a major constraint against transfer** ✓ **From a critical size point of view, partial relocation of a team should not be performed unless quality level is ensured and critical size is reached for both locations**

Geneva

London

Paris

Niort

Budapest

New York

Montreal

Hong Kong

Singapore

Frankfurt

http://www.chappuishalder.com

CH &Co.