

Case Study: Major European Bank Adopts IT Offshoring for the First Time EquaTerra Guides Leading Financial Institution Through Service Provider Selection Process

At a Glance

Company Profile

Major European bank with 5.5 million customers in Belgium, Luxembourg, Slovakia and Turkey. It was created by an early cross-border merger in the European banking sector, and is now one of the 20 largest financial institutions in Europe. The bank builds its strategy on two pillars: retail banking in Europe and the provision of world-leading financial services to the local public sector and project finance.

Services Featured

- IT Outsourcing
- RFI Process
- RFP Process

Business Processes Involved

- Information Technology

Executive Summary

Since its beginnings in the 1990s this major banking organisation has grown rapidly and developed a broad range of banking services for private individuals, small and medium-sized businesses and institutional clients. Currently, the bank has 5.5 million customers and is active in asset management, insurance, investor services and capital markets. Although interested in improving services and reducing expenses through IT offshoring, the bank was unfamiliar with global sourcing operations. Management called on EquaTerra to assist with the service provider selection process.

The Business Challenge

In 2007, the bank wanted to enhance its capabilities in order to execute IT projects more quickly and to offer enhanced services to its businesses, but increasing the organisation's IT workforce would have presented numerous challenges. Management believed IT offshoring could provide the bank with the first-rate services they required while reducing associated costs. The organisation had never used offshore services, and management wanted the latest, most accurate information about potential service providers and their capabilities before taking this major step. To help them garner this information, they realised the benefits of gaining counsel from an experienced advisor with a strong understanding of the global sourcing market, as well as the outsourcing market in India specifically. To this end, EquaTerra was brought in to assist with the service provider selection process.

How We Helped

The bank's management recognised that IT offshoring could provide greater flexibility and reduce time-to-market by facilitating access to high quality resources that would complement the bank's existing IT workforce.

With the right partner, offshoring could optimise the appropriate level of functional detail, reduce costs significantly and increase the delivery capacity. They would also be able to gradually enhance the bank's IT quality processes and methodologies and help the organisation benefit from its unique experiences.

Despite management's high overall expectations, there were still some reservations. The bank had never experienced offshoring, and were not convinced by some of the more standard sourcing model options.

It was therefore obvious that a generic Request for Proposal (RfP) would not be adequate in this situation. So EquaTerra advisors, together with the bank's team, developed one specifically to meet their unique needs. The RfP included a built-in model that required the potential service providers to 'fill in the blanks', such as the number of people that would be assigned to various roles within the project, and the costs.

EquaTerra advisors wanted to ensure that service providers quoting a low rate had enough of the appropriate professionals assigned to various roles in the operating model. In addition, they wanted to ensure that the providers presented a realistic expectation regarding the bank's contribution relative to the cost. Without this request for particular and important details, all of the suppliers would have seemed very much alike to the decision makers in the organisation.

Key Drivers and Requirements

EquaTerra advisors recognised that the bank's special needs would require a flexible service provider and in response, they developed special supplier requirements and expectations that they communicated to the potential companies. This included the bank's preference for a co-sourcing model as well as broader expectations for a reduced time to market for various projects, the sustaining of high quality work and the meeting of long-term cost savings.

In turn, the selected service provider(s) would be expected to view the bank as a long-term partner, with a strong commitment to creating a presence across the Benelux region.

Flexibility on the part of the service provider in working closely with the bank's team to plan and execute projects was also key, as was a demonstrated successful heritage in the areas of IT methodologies and quality processes.

Finally, the organisation was clear that the service provider(s) would have considerable presence and experience in leading offshore locations, such as India.

The Selection Process

After a high-level evaluation, an initial list of more than 20 service providers was created to ensure adequate representation from the different supplier categories. Following a more careful review, a more detailed evaluation was performed to further shortlist 12 service providers based on quantitative evaluation, including scale, stability, industry and technical expertise, regional capabilities and experience, offshore capabilities and quality.

Six service providers were shortlisted and site visits were made to each company's location. Each of the six received an RfP, which contained clear statements on the evaluation policies.

Results

An evaluation committee was formed consisting of representatives from the bank's financial, legal, purchasing and technical teams, supported by an independent consultancy. Working together, committee members conducted an audit and quality check of the RfP process. As a result, two service providers, both in India, were selected to work on the banking and insurance IT offshoring project.

At the beginning of the RfP process, the organisation's management was optimistic, yet slightly sceptical, about IT offshoring. But EquaTerra found that, by the end of the exercise, the management team better understood the offshoring market and its capabilities and were even more willing to invest further in offshoring.

Advisor Insights

Because EquaTerra provided the needed support and guidance to take the bank through the service provider selection process for IT offshoring, the company is being considered for additional assignments related to the transition implementation.

About EquaTerra

EquaTerra sourcing advisors help clients achieve sustainable value in their IT and business processes. Our advisors average more than 20 years of industry experience and have supported over 2000 transformation and outsourcing projects across more than 60 countries. Supporting clients throughout the Americas, Europe, Middle East, Africa and Asia Pacific, we have deep functional knowledge in Finance and Accounting, HR, IT, Procurement and other critical business processes. EquaTerra helps clients achieve significant cost savings and process improvement with internal transformation, shared services and outsourcing solutions.

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