

Case Study: EquaTerra Advises Standard Chartered Bank on Scope Expansion of IT Outsourcing

Client applies industry best practices to deliver value and align with business strategy

At a Glance

Company Profile

Industry: Leading financial organisation in Asia Pacific and emerging markets worldwide

Size: More than 38,000 employees representing 80 nationalities

Geographies: Operations in more than 50 countries across Asia Pacific, South Asia, the Middle East, Africa, United Kingdom and the Americas

Services Featured

- Global Service Provider Selection
- Governance

Business Processes Involved

- Information Technology

Key Results

- Greater flexibility
- Enhanced savings
- Increased focus on service

Executive Summary

This case study examines how Standard Chartered Bank enlisted EquaTerra to help it evaluate options for realising more business value for its IT spend and greater savings on its IT infrastructure cost base. With EquaTerra's help the company was able to objectively re-evaluate its options with its expanded needs in mind. The bank extended its contract with a provider who would offer greater commercial flexibility and transparency, enhance the savings delivered to the business, and emphasise an increased focus on service quality and reliability.

Business Challenge

An Outdated Contract

In 1996, Standard Chartered Bank outsourced the management of its major data centres to Schlumberger's IT subsidiary, Sema Group, as a part of a seven-year IT outsourcing deal. Near the end of the contract in early 2003, Standard Chartered decided to take the opportunity to consider competitive bids prior to renewal. The bank also wanted to broaden the scope of its IT outsourcing, since the 1996 agreement had focused primarily on the bank's basic IT infrastructure in the Asia Pacific region.

Standard Chartered Bank's objectives in approaching the recompetitiveness process were shaped by the characteristics of its own IT organisation. Internally, the bank already had well-developed capabilities in areas such as applications management and maintenance, and in strategic IT platform control and development. So, in tandem with the renewal of the contract, it wanted to focus on getting more business value for its IT spend and on realising greater savings on its IT infrastructure cost base.

More Return on the Investment

In financial terms, the bank's key objectives were to improve the return on equity from IT by 20 percent and lower the overall cost by more than 25 percent, while also achieving greater cost variability to enhance its operational and commercial flexibility. Standard Chartered was also aiming to minimise its capital expenditure, leverage the investment made by the chosen vendor, and ensure sufficient systems scalability to enable future growth. Alongside these objectives, the bank also sought to improve service levels and obtain faster transformation and deployment of IT.

Note: This case study was written prior to EquaTerra's acquisition of Morgan Chambers in September 2007. All "Morgan Chambers" references throughout this document have been changed to "EquaTerra" to reflect the new ownership and brand.

How We Helped

EquaTerra Spearheads Recompete and New Bid Process

In January 2003, EquaTerra was called in to provide Standard Chartered with support on two levels. A small team initiated data gathering from 23 countries and prepared the request for proposal (RFP) and – at a later stage – request for best and final offers (BAFO). In parallel, an EquaTerra director worked closely with the project sponsor to create a governance model for the bank's IT services.

The EquaTerra team also laid down the basis for the recompete process, by creating a structured financial model defining the specific costs associated with each of the domains and countries being considered for outsourcing. This model provided optimum flexibility and enabled the bank to pursue a wide range of scope options.

EquaTerra Helps to Seal the Deal With 32 Percent in Savings

As the procurement process continued into mid-2003, the shortlist came down to a three-way contest between IBM, EDS and the incumbent supplier Sema Group. Then external events took a hand, as Atos Origin – the consulting and IT integration provider – agreed to acquire Sema from Schlumberger. This led to Sema improving its proposed savings to the equivalent of 32 percent of IT costs from day one of a renewed contract. After due negotiations, EquaTerra advised Standard Chartered to accept this offer, which it did. A seven-year renewal was signed at the start of 2004, coinciding with the completion of Atos Origin's acquisition of Sema. With the deal successfully completed, EquaTerra's involvement ended in February 2004.

Results

Flexibility, Savings, and Reliability Top the Charts

EquaTerra's support helped to deliver a range of benefits for Standard Chartered. This was both in terms of the bidding and negotiation process, and in the contract structure, governance and financial terms and conditions. Most importantly, the bank now has a seven-year contract in place which provides greater commercial flexibility and transparency, enhances the savings delivered to the business, and ensures that the supplier focuses on the key issues of service quality and reliability.

EquaTerra's support enabled the bank to execute this chosen option in a controlled and auditable manner, applying industry best practice approaches to deliver value for money and alignment with business strategy. EquaTerra also helped it to design and implement appropriate governance mechanisms to ensure continued business alignment, measurement, accountability and value for money.

Standard Chartered realised key benefits, including:

- Savings equivalent to 32 percent of ongoing IT expenditure from day one of the renewed contract, giving total headline savings over the seven-year term in excess of US\$130 million after allowing for all project costs
- A 2004 business-as-usual benefit of around US\$25 million
- A vastly improved incremental price schedule for future growth
- Additional benefits in terms of consolidation and application clean-up, together with an opportunity to reduce the refresh component of the cost by reusing newer kit
- An opportunity to reassess the bank's service requirements, extend the scope beyond the remit of the current contract and realise further benefits
- Enhanced governance, creating a new footing on which to make decisions in the future

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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