

Strategic Systems Solutions

Local Knowledge. Global Solutions.
Destination Hangzhou, China





Executive Summary

Strategic Systems Solutions has been a leader in off-site development since the mid-1990s. Our founders, Steve Bramwell and Mark Williams, identified an IT skills shortage in global financial centers, such as London and New York. This scarcity resulted in high technology costs for major corporations. The solution was to form a technology company based in cost-effective geographic areas where IT skill levels were high.

This resource-based location strategy has been very successful and has allowed us to expand from a UK-based firm to a company that is truly global. In 2003, we opened offices in the United States and China. In addition to providing clients with on-site and near-shore resources, we can now provide a far-shore option as well.

Our methodology has been used to support the expansion of our two primary business lines, IT Consulting and Back-office Processing Centers.

- IT Consulting - Strategic Systems Solutions - technology professionals ranging from developers, production support analysts and business analysts through to technical architects and project managers.
- Back-office Processing Centers - Strategic Back-office Solutions - business analysts, project managers, and clerical workers.

In this document, we will describe our proprietary Resource Location Strategy with specific focus on our new Hangzhou, China office.



Setting the Scene

When we searched for a new Asian location, China prevailed over other locations, such as India and Singapore, based on the review of our Resource Location Strategy decision factors. When choosing where to open an office, we first focus on the following key criteria: proximity to the nearest financial centers, and the cost and quality of the local skill base and office facilities.

In Hangzhou, China we found an inexpensive yet highly skilled labor force, strong English skills, and significant governmental investment in the IT industry. We opened our Hangzhou office in December 2003 and it has been rapidly growing ever since. In this section, we will explain in more detail the components we reviewed first.

Location

When choosing a location for a new office, the site should be within three hours transit time to a major financial center, on par with New York or Tokyo. The short travel time allows near-shore resources to be on-site with the client when needed and vice versa. Proximity to a financial center increases the likelihood that potential employees have the financial services industry expertise that is required to support our clients.

Hangzhou is strategically located near the major Asian financial hubs. China's high-quality transportation infrastructure ensures that our resources are no more than a few hours from these cities. For example, the Hangzhou airport offers multiple daily flights to Hong Kong and Beijing, with an approximate travel time of two hours. Shanghai is approximately two hours away by train, where direct flights to Tokyo, Singapore, and other financial centers are readily available.



Skill Base

High-quality skills are imperative for the office to open quickly and rapidly provide clients with the expected service levels. The salaries of these professionals must be proportionally lower from those in the closest financial center to allow us to provide our clients with competitive rates.

Hangzhou met our requirements for a large skilled labor force at cost effective rates. The city offers a strong IT skill base through its 13 local universities and numerous nearby international corporations. Every year, these universities graduate approximately 12,000 students with degrees in IT-related



disciplines. Large international IT organizations established nearby include Toshiba, Nokia, TCS, Microsoft, and GE. The presence of these firms attests to the overall strength of the region.

When reviewing local salaries, we found that a China based developer is approximately 25% of the cost of our UK and US developers. We needed this rate reduction to provide a lower cost option to our clients. For specific rates, please ask an executive in our Business Development department for a 2004 Global Rate Card.

We also investigated the English language fluency of local professionals, which is a common concern with Asian locations. We found that the Chinese education system has aggressively increased the English language skills of its students, with many degree courses requiring a high level of oral and written English as part of the syllabus. English has now become the most popular foreign language in China.

An added bonus with Hangzhou is that the Chinese view it as one the most beautiful cities in the world. It is widely considered a desirable place for relocation and offers a high quality of living. This situation makes it easier to entice non-Hangzhou employees to relocate to this area to seed our office with experienced SSS staff.

Facilities and Infrastructure

When researching locations, we seek reasonably priced office space that can be rapidly built out to our technical specifications. The communication infrastructure of the city must also be robust enough to support our multi-tier consulting model.

Hangzhou offers excellent communication and power infrastructures with advanced and stable suppliers. The Hangzhou High & New Technology Industrial Development Zone was recently established and is referred to as the Paradise Silicon Valley. In addition, close to 100 billion Yuan (\$12.1B USD) has been annually invested into Hangzhou's technology infrastructure since 1993.



Due Diligence

When investigating a possible Hangzhou office, there were several unique characteristics about working in Asia and China in particular that caused us to look a bit closer. We will describe these issues in this section.

Cultural Differences

When working in China, there are two key cultural concepts that are vital to understand, 'face' and 'Guanxi'. 'Face' is an essential component of the Chinese national psyche. Having face means having a high status in the eyes of one's peers and is a mark of personal dignity. Face is a prized commodity which can be given, lost, taken away or earned. Giving face earns respect and loyalty. The Chinese are acutely sensitive to gaining and maintaining face in all aspects of social and business life.

Guanxi pertains to the building of strong relationships with staff and business partners. As part of our internal cultural training for expatriates in Hangzhou, we highlight the fact that in China it is very much a case of who you know rather than what you know.

Intellectual Property Rights & Encryption

China's entry into the World Trade Organization has led to many new commercial and intellectual property rights laws being passed in the past two decades. The ever-improving legal framework has helped to set up a favorable environment for high-technology industries, especially the IT industry.

Our lawyers have outlined our legal position with respect to protection of intellectual property rights in the People's Republic of China. We have incorporated into our employee contracts references to commercial secret and software copyright laws, including Labor, Criminal, and Trade Mark laws.

Technical infrastructure concerns were raised regarding encryption rights and protocol. We soon learned that US encryption software at 168 bits is legal and available. We have therefore installed this software as part of the standard infrastructure within our China office.



Ensuring Success

When opening a new office, we leverage several internal support mechanisms to improve the new location's probability of success. This support includes our experienced staff, a standardized interview process, and our Technical Services Group (TSG). While we utilized these components when opening the Hangzhou office, several changes were implemented to address specific Chinese situations.

Staff Support

Each new office is seeded with experienced Strategic Systems Solutions and/or Strategic Back-office Solutions staff, a local HR Director, and supplementary legal counsel. This infusion of existing employees gives new hires a link to our established offices, providing invaluable client expertise. We have employed an internal HR Director to lead the recruiting effort and to address local staffing regulations. The local legal counsel supports not only typical business issues, but also assists in the movement of our employees across locations.

The Hangzhou office has one member of our Executive team, David Buck, and one member of the Management team, Andrew Porter. David and Andrew are both long-term leaders within Strategic Systems Solutions and provide stewardship for the office and its employees. We also transferred one TSG analyst to provide desktop and network support. Finally, we hired a local HR Manager to support recruitment and internal staff development.

We are committed to providing English Language improvement programs for all Chinese staff. When hired, a tailored program is created for each employee to address their specific needs. Other office initiatives include: "English-only" days, group sessions focusing on listening and speaking, staff projects and presentations in English, and debates in English.

Interview Process

We have a standardized interview process that has been proved effective in hiring employees with the desired level of interpersonal and technical skills. Our process includes both a 'Fit' interview, which is focused on interpersonal skills, and a 'Technical' interview. Two of our employees conduct the Fit session and then another two employees conduct the Technical session.

As in the UK and US, when a potential recruit is identified, a phone interview is conducted. At this point, the recruit must prove that they have an acceptable level of English fluency. If invited to interview at our office, English comprehension and workflow tests are included, when required.

At the end of the two hour interview, we have a good sense of the skills of the applicant and we are ready to make a hiring decision. When requested, our clients can also interview the applicants. Our excellent staff retention rate and high client satisfaction ratings attest to the success of our interview process. Furthermore, applicants typically comment on the thoroughness and depth of our interview process.

To date, we have hired more than 40 employees into our Hangzhou office for the following positions: software developers, system support analysts, network support engineers, and data processing staff.

Technical Services Group

Our Technical Services Group (TSG) has the expertise to rapidly set up the technical infrastructure within an office and then build connectivity to our clients and across our global office network. One or more of our TSG specialists will be assigned to the Office Opening project and will lead or assist in a wide range of tasks including identifying local suppliers and partners. When finished with the office configuration, the group will assemble a local IT Team to work as part of our Technical Services Group to provide on-going support to the office.



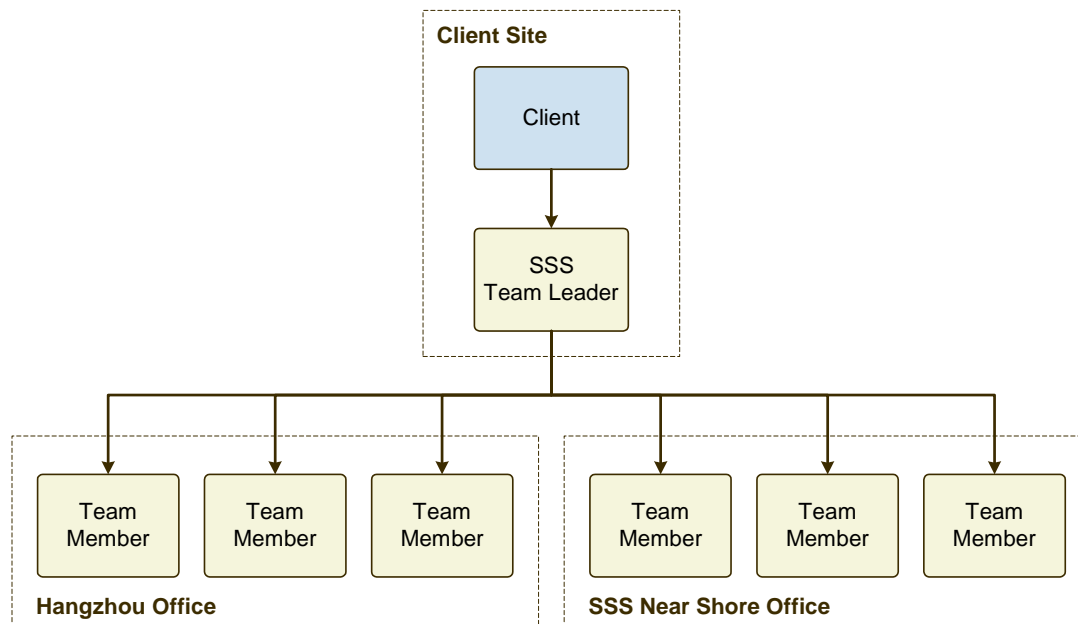
This group will assist the local team in specifying the physical office build-out. Key tasks include: Comms Room Specification (resilient power solution, fire suppression, air conditioning), small power requirements, desk layout, data cabling, resilient power solution for office (if required), intruder detection, and access control.

TSG will be responsible for the build of the technical infrastructure including the phone system, the Windows server infrastructure for authentication, email, print, and Citrix, the Linux server/firewall infrastructure for internet/client connectivity, the network infrastructure to facilitate communication between the various servers and the desktop PCs/terminals. TSG will ensure that there is connectivity to our firm's global network and client networks, as required. They will also extend our global anti-virus and backup solutions to cover the new site.

The Hangzhou office is fully operational, with support and development teams providing a valuable service within our Investment Bank client base. The IT infrastructure installation ensures reliability and speed, and meets industry standards for data encryption. Connectivity between the UK offices and Hangzhou is stable and demonstrates no degradation in performance. We have the capacity, infrastructure and support procedures in place to satisfy a wide range of client requirements.

Project Hierarchy & Communication

Our multi-tier model ensures client communication is maintained between global teams and the client through an assigned project leader. North American and European customers have direct contact with experienced, UK/US based staff. The single point of contact for the client alleviates the necessity for meetings with the team, the responsibility for which will remain within SSS. The diagram below demonstrates communication between client and SSS utilizing the multi-tier model.



Relating to the client via a single point of contact is a model SSS has utilized successfully over many years. The addition of a China office builds on our well-established business model.



Summary

Since our firm's inception, the majority of our staff have worked as members of virtual teams supporting clients based in London, New York, Frankfurt and Tokyo. With the opening of the Horsham, PA, USA and Hangzhou, China offices, we are now truly global. We leveraged the valuable experience gained over many years to select, open, and then manage our remote site effectively and efficiently.

In the future, we will continue to look for opportunities to expand our global coverage and service offerings. As we move into new locations, we will leverage our Resource Location Strategy to select a site that allows us to continue offering cost-effective, industry leading consulting services.

Current Range of Global Coverage

	Hangzhou	UK BST	UK GMT	US/Canada* Summer	US/Canada* Winter
	8.00	1.00	0.00	20.00	19.00
	9.00	2.00	1.00	21.00	20.00
	10.00	3.00	2.00	22.00	21.00
	11.00	4.00	3.00	23.00	22.00
	12.00	5.00	4.00	0.00	23.00
	13.00	6.00	5.00	1.00	0.00
	14.00	7.00	6.00	2.00	1.00
Hangzhou - UK time overlap	15.00	8.00	7.00	3.00	2.00
	16.00	9.00	8.00	4.00	3.00
	17.00	10.00	9.00	5.00	4.00
	18.00	11.00	10.00	6.00	5.00
	19.00	12.00	11.00	7.00	6.00
	20.00	13.00	12.00	8.00	7.00
	21.00	14.00	13.00	9.00	8.00
	22.00	15.00	14.00	10.00	9.00
	23.00	16.00	15.00	11.00	10.00
	0.00	17.00	16.00	12.00	11.00
	1.00	18.00	17.00	13.00	12.00
	2.00	19.00	18.00	14.00	13.00
	3.00	20.00	19.00	15.00	14.00
	4.00	21.00	20.00	16.00	15.00
	5.00	22.00	21.00	17.00	16.00
	6.00	23.00	22.00	18.00	17.00
	7.00	0.00	23.00	19.00	18.00

*The US/Canada columns represent the Eastern Standard Time Zone.