

*Strategic Systems Solutions*

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# **Business Process Outsourcing**

**Helping Firms Deliver, Efficiently**





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## *Introduction*

In 2002, the Business Process Outsourcing (BPO) practice was formed within Strategic Systems Solutions (SSS) as a complementary service to our IT offering. Our aim is to provide back-office processing capabilities that allow clients to realize the cost saving potential of their IT re-engineering efforts. The BPO practice was created by using the same off-site model as the IT practice and therefore offers many of the same benefits, including reduced costs and high-quality, 'value for money' resources.

While our staffing model is similar to the IT practice in the high skill positions, we have an additional entry-level type employee that forms the bulk of our group. The operations clerk role that these employees perform requires a lower skill level and therefore can be supplied at lower cost to our clients. This is where we can bring major cost savings to an engagement.

We have a proven capability in delivery model design, transition and process management. We have also leveraged the SSS IT practice to develop technology solutions to solve business problems that improve our service quality and productivity. This document outlines our capabilities and standard operating procedures, and provides a brief summary of one of our client engagements.



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## *Our History*

The BPO Practice within Strategic Systems Solutions was created as a logical counterpart to our IT Practice. We leveraged the expertise of our founders, Steve Bramwell and Mark Williams, and invited Stephen Lipton to lead the practice. Stephen has considerable experience in the outsourcing arena from his time as head of Alternative Sourcing at Morgan Stanley.

We have created a BPO practice that is very successful, as shown by the growth in the group to approximately 90 people across two locations in two years.

### **The Decision to Expand**

For nearly ten years we have been working in our IT Practice to deliver cost-effective technology solutions that utilize resources where they are needed most. It was with these goals in mind that we developed our 3-tier resource model: this places our consultants on-site (1<sup>st</sup> Tier), near-shore (2<sup>nd</sup> Tier), or far-shore (3<sup>rd</sup> Tier), as appropriate.

We have also been heavily involved in many re-engineering efforts with projects successfully delivering high levels of Straight-Through-Processing (STP) on modern strategic platforms. These engagements delivered systems that required lower staffing levels and we realised that further savings could be achieved by replacing remaining Operations staff with appropriately skilled/deskilled staff at lower cost locations.

We launched our BPO Practice to offer the full range of re-engineering design, delivery, and support options from our lower-cost locations to help our clients make these staff changes and further reduce their cost base.

### **Our First Client**

One of our major investment banking clients was looking for a partner to help them leverage their new systems environment and meet their changing global financial needs. With the help of SSS, the client was successfully re-engineering its back-office systems. To take full advantage of this new platform, they asked us to help them migrate their Operations support function to a Business Process Outsourcing model. We have now been supporting various functions for the client since February 2003 in our Liverpool, UK and Hangzhou, China offices.

### **Current Size and Planned Growth**

After opening in July 2002, the BPO practice now has approximately 90 staff, located in the Liverpool, UK and Hangzhou, China offices. While smaller than the IT practice, which has more than 450 employees based in seven global offices, the BPO practice is growing rapidly.

The group plans to grow by at least 100 staff over the next year, with much of the increase occurring in Hangzhou, China.



## Innovative Services

We are dedicated to offering our clients cost effective solutions to their business and technology needs. With this in mind, we have established a strategic position in the marketplace by blending extensive experience in the investment banking industry with expert knowledge of implementing a multi-tier business process model.

### Full Spectrum of BPO Capabilities

Our consultants define and deliver the full range of BPO services including various outsourcing and transition models and process management.

#### Outsourcing models

We support skill and risk profiles that range from deskilled, through semi-skilled, to full knowledge transfer:

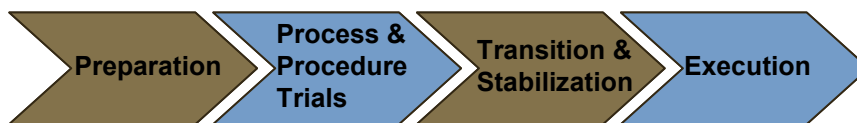
- deskilled - the client maintains control over the process change control
- semi-skilled - we develop training in business context and monitor job performance in coordination with the client
- full knowledge transfer - we are responsible for all aspects of the function's delivery

We also support a range of engagement models including:

- outsourcing
- setting up and providing management to a captive site or branch
- working with sub-contractors, e.g. taking responsibility for managing performance
- taking on existing client sites.

#### Transition model

We use a four-phase model to move work from the client's current process to our delivery model:



#### Preparation

In the Preparation phase, our business analysts work with our client's process experts to develop the project's foundation deliverables including workflow diagrams, detailed procedures, and key performance indicators (KPIs). Workflow diagrams document the task resolution process at a high level. Detailed procedures are written to cover the work at a lower level. After both sets of deliverables are signed-off, they are loaded into a Workflow Manager application for the Process and Procedure Trials phase.



### *Process and Procedure Trials*

During the Process and Procedure Trials phase, we test the new workflow and detailed procedures with a subset of the staff that will be delivering the service in the future. The team leader reports daily on the work that was trialled, including comparing the results to that of the current team, detailing the coverage (i.e. what steps in the workflow were used) and any queries and issues found.

### *Transition and Stabilization*

In the Transition and Stabilization phase, we split large functions into a series of steps. Progress to the next step is determined by reaching acceptable performance figures. We then move into a period of stabilisation, where additional problems with the workflows and procedures are resolved and the production team builds their productivity up to the required levels. During this phase there is a grace period for performance below expected service levels as the service beds down.

### *Execution*

When the Execution phase is reached, the service is deemed to be stable; further changes are treated as 'business as usual'. From this point forward, the grace period for performance below service levels, which are usually set at levels at least as high as before the function was outsourced, is over; any sustained poor performance is addressed through service credits.

### **Process management**

Our senior team leaders and business analysts have experience in being part of an engagement's Process Management team. This team is responsible for monitoring performance, managing workflows, and defining and managing a detailed procedure change control process.

## **Wide Range of Staff Available Based on Client Needs**

We can provide the full complement of business process outsourcing staffing needs.

### **Senior Staff**

These employees know how to meet the objectives set by the client in an efficient, practical manner. They are adept at understanding the interdependencies of the relevant individual projects underlying the programme. They understand the levels of risk associated with the client's business and what steps should be taken to mitigate these risks.

### **Business Analysts**

Our business analysts are skilled at developing workflow diagrams, creating the supporting Detailed Operating Procedure documentation, and defining automated service level reporting (including defining Key Performance Indicators) for an area. While creating these deliverables, our business analysts work with process experts within the area that is to be outsourced. They are also skilled at re-engineering processes to improve the efficiency and effectiveness of the services delivered.

### **Team Leader**

The Team leader is responsible for a set of outsourced functions and a group of Operations Clerks who will deliver a defined service. The team leaders are experienced at co-ordinating the Process and Procedure Trials and Transition phase. When an area reaches a state of stability, the Team Leader will define a function management strategy to optimize an area's productivity. They will also work closely with business analysts and developers to improve efficiency and productivity.



### **Operations Clerk**

At the core of the BPO practice are the clerks. We provide a framework, and then the support and discipline, to ensure that our clerks perform to the standard required by the project and with the level of empowerment specified by our clients. Our staff fill roles within the following general categories:

- deskilled - this is appropriate when the process is rigidly defined and can be followed to the letter of the deterministic instructions provided. It is a pure processing role with no external contact
- semi-skilled - is used when the process is well defined, with our clerks trained to understand the context of client discussions (these will occur according to one or more deterministic scripts)
- skilled -this is utilized after a detailed knowledge-transfer phase. The function's process will be well-defined. The clerk will be expected to understand the organisational role performed and raise only exceptions that cannot be resolved locally

### **Closely Tied to IT Practice within SSS**

The BPO and IT practices work closely together to offer clients additional services such as the development and support of a secure, remote computing environment and Rapid Application Development and systems support.

Reliable and cost efficient connectivity solutions are required to enable delivery of services at remote locations; the BPO practice has utilized the expertise of the IT practice technical services group to develop Citrix connectivity solutions.



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## *Our Locations*

BPO services are currently delivered from our Liverpool site in the UK and our Hangzhou site in China. If future demand from our clients required it, we could also deliver BPO services from the group's office in Horsham, PA USA very quickly. We are also planning to set up and offer services to the Asian market from Dalian in China, where Japanese and Korean language skills are readily available.

All of our offices have been built to the high standards of physical and technological security, and business continuity protection, demanded by our global banking clients.

### **Office Security**

Our offices in both Liverpool and Hangzhou are fitted with access control systems, CCTV, fire detection and anti-theft alarm systems.

### **Technology**

The BPO practice makes extensive use of Citrix technologies. The China office has a Citrix system that is used internally to deliver a standard desktop to our operations staff. Both sites connect to a Citrix environment through multiple leased lines and internet VPN connections to our client's Citrix servers. The use of Citrix technology allows the desktop environment to be controlled easily and required changes to be made simply. Also, Citrix allows lower bandwidth connections to be used.

Our hardware is protected by regularly updated anti-virus software and our network has industry-standard firewall protection. Our communication and server rooms have; secure access; fire protection; UPS; multiple electricity supplies; and multiple telecommunication links. These reduce the risk of critical failure and therefore the likelihood of the need to call upon disaster recovery services.

### **Business Continuity**

In the UK, we have a contract for the provision of Business Continuity and Recovery Services with IBM in Warrington. We have created, and regularly test, Business Continuity Plans that comply to our client's high standards. Services can be restored within 4 hours of a Disaster Recovery (DR) event in the UK.

In China, we have our own dedicated recovery site 10 miles from our main office which is prepared and ready to go at all times. Services can be up and running within the one-hour travelling time to the DR site.



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## *Our Staff and Our Commitment to the Future*

Within SSS, and the BPO practice specifically, we want our staff to be committed to their client for the long-term. Therefore, it is important that we recruit the right people, ensure they are performing at a high level of productivity, and then keep them on the client engagement for a long period. This dedication to an enduring partnership with our clients is unique in the industry where employee turnover is typically high.

### **Comprehensive Interview Process**

Our interviews are designed to allow both parties to learn as much as possible about the other, in a relatively short time. Each interview lasts approximately two hours and comprises two sessions: 'Fit' and 'Technical'.

#### **Fit**

The goal of this interview is to determine if both sides feel comfortable working with the other. The session includes questions about the candidate generally and how they approach work; it is designed to find out about the personality involved.

#### **Technical**

We give a workflow test to all junior staff and a telephone test for those who will work within teams that talk to our clients' clients. Staff in China have to pass an English test. For more senior staff, we also perform additional tests and group exercises.

We generally make the decision regarding a candidate's suitability after the first interview. It is rare for us to hold second interviews, because it lengthens the recruitment process unnecessarily. However, occasionally we may involve a client in the interview process for key positions in their engagement.

Because of the nature of our work, we perform credit, Criminal Records Bureau and reference checks on new starters in the UK and the equivalent in China. Staff are required to sign company confidentiality agreements and client confidentiality agreements both in the UK and China. Our induction training stresses the seriousness of client confidentiality and appropriate use of our and the client's IT systems.

### **Continuous Focus on Productivity**

As an organization, we are always looking for ways to ensure a high level of productivity with our clerks. We have implemented several tools and policies including an Employee of the Month programme. The aim of this programme is to identify and reward those individuals within the business who have demonstrated their ability to work above and beyond the normal expectations of their role in a particular month.

Employees are nominated by their Team Leaders and the scheme is administered independently by the HR function. Employees receive a monetary token of appreciation, a personal certificate, and a company-wide communication on their success. The scheme has proved to be a very good motivational tool, helping maintain productivity and improve staff retention.

### **Commitment to Training**

Both as part of our commitment to the individual's career progression and self development, and our commitment to our clients to improve the quality of the service that we provide, we offer our staff training to relevant industry standards. We have, for example, many staff following the Securities Institute IAQ qualification both in the UK and China. This specific training is supplemented by more general training relevant to the client's service, as well as individual career development training.



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## Success Story

We developed a multi-year partnership with the Operations department of one of our major investment banking clients in early 2002 to support a large re-engineering effort that was already underway. The platform developed is exception-based, and supports settlement processing for a wide range of products in all of the major international financial markets. The programme has already won the *Best Implementation of Straight-Through Processing Award* at the 2003 European Technology Awards and the *Most Effective IT Project* in 2004 at the Effective IT awards.

### Impetus for Change

After the first release of the new back-office application in London, Strategic Systems Solutions' directors considered potential benefits of the system's predictable nature.

The client was experiencing heavy turnover of staff. The client's resource profile was highly skilled and therefore expensive; the new system supported a de-skilled model through its highly-defined modular workflow process. Existing staff found it difficult to move from a world of high improvisation to a much more disciplined, structured and transparent process.

SSS's directors realised that, to truly leverage the system and make further cost savings, the client needed to transfer the work to locations where costs were lower, resources were more stable and staff would follow the repeatable processes diligently as they would know of no other way.

The remote working model had already proved a success for SSS's IT work for the client and so SSS presented this idea to the client. The client duly accepted this suggestion from one of their closest external partners, and SSS were asked to prove the concept.

### Results Achieved

As we worked with the client, we adjusted to their changing needs. First, we seamlessly moved some of our processing tasks from the near-shore, Liverpool, UK site to a truly remote, Hangzhou, China location. Then we rapidly changed our Liverpool site from a processing location to a contact/call centre. These changes have allowed the client to meet its annual cost targets and realize the potential of its reengineered application.

Currently, the group is saving more than 3 million GBP per year, due to the utilization of this outsourcing model.



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## *Contact Us*

If you would like to receive additional information about the BPO Practice at Strategic Systems Solutions, or set up an individual meeting, please contact one of our regional offices and ask for a Business Development executive. The contact information for our regional head offices is listed below.

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