

# THE OUTSOURCING MODEL: NEW THINKING

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**Marty McElligot:** 10 or 15 years ago, you would sit down with the person who had spent their career building up the operating model that you're trying to, in essence, replace and there was a lot of pride of ownership and a lot of less than clear and defined operational processes and, most importantly, delineation between what is truly the front office and what is the back office, and many of those front office requirements getting pushed downstream and affecting the efficiency of the middle office processing. So where the role of the consultant I think has helped the industry generally here is really understand how does the operating model work today, find all of those bits of user-defined technology that permeate the organization, all of which are geared towards building a level of trust in the underlying data that's been acted upon for investment purposes.

**Mal Cullen:** The number one reason why people are scared to take that step and really go to the outsourcing model is really because they feel the loss of control over their data. Whether they like it or not, as they go through an outsourcing conversation, they're going to go through a data management initiative whether they like that or not, because they do need to put data structures in place to support whatever flavor of an outsource they want to go. Culturally, organizations are in very, very different mind-sets today. Outsourcing in some organizations is against their culture of providing jobs locally and the culture of the organization, and other organizations strictly look at it from a cost perspective, but I can tell you in the history of what we've been seeing in the last couple of years is that with legacy systems needing to be upgraded and replaced, and people going to market to look for solutions, just about any major conversion now of a legacy platform is looking at both an outsourcing model and a service provider model, except through a technology platform, concurrently and they're going to market with two different RFPs and they one look at outsourcing on one and in the other case they're looking at a software solution. And we have the luxury within our organization that we can actually respond to both of those. They're really looking for – used to be who can we do business with for the next 10 years and who is the partner. It's no longer whether you're going to be there in 10 years, but can you demonstrate that you're going to be providing the innovation, the reinvestment into the platforms, and changing in terms of where they're going to be 10 years from now and demonstrating that through the offering. And that's something that we've been really focused on.



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**Marty:** I think that hits on a trend that we see as well where 10 years ago everyone wanted their current infrastructure to be rebuilt by their provider, minimize the amount of impact and change, and as a result wanted bespoke solutions, which in retrospect are not sustainable, not really reaping the benefits, as Doug Schulman mentioned, of the scale that we create in operational processing. The conversation currently with clients, as it relates to looking at us as an outsourced provider, is understanding how the operating model works today. But to Mal's point, let me understand the strategic roadmap and the reinvestment, because I do want to be in your multi-client environment. I want to leverage that reinvestment that you have across the entirety of your client base, and let me see the roadmap that other clients are pushing you to, as I may go into different geographies, different products and face the same regulatory challenges that they make. So I think that's another one of those trends that we're seeing, is that realization that being in the pool with a lot of other swimmers is not a bad place to be, as opposed to being off on your own.

**Chandresh Iyer:** One of the things that we are working with our clients is how do you explain methodology differences between their legacy platform and the new platform? That takes a lot of time and energy, because as you get more and more into the front office space, your consumer of the information is not your typical operational team or client service teams. It's a different caliber of user. And so in terms of this whole notion of enabling data trust and providing the right level of instrumentation and scorecarding around that, there's a whole area which frankly is ripe for some interesting solutions to come into play in terms of enabling that level of trust and prominence of the information that is being provided.

**Mal:** When you talk about instrumentation on top of some of these applications, I'd encourage you to look at what BNY Mellon is investing in Digital Pulse. And what that, I think, means to this industry, in my experience, is that a lot of organizations today struggle with really understanding the cost of their business today, whether it makes sense to outsource or not from a pure expense basis. Sure, they all want to divest themselves of anything that's no longer a core competency of their business or is not a competitive differentiator, but at the end of the day, what they need to do is go across their operations and look at what does it cost to do pricing, what does it cost to do reconciliations, are we doing valuations. Being able to put instrumentation on top of the applications and provide really data-driven decisions around how much time people spend on those processes, how long they take, where there are opportunities for redesigning and providing more operational efficiency on top of them, and ultimately leading them down the conversation of what an outsourcing opportunity could mean to them is very real and is very close to being something that we'll be able to offer to clients, and then work with organizations such as yourselves to really take the clients through that analysis with real understanding of what their business looks like today and what it would look like tomorrow as they continue to expand either globally or into new asset classes. I think that's something that we're going to see a lot of acceleration and capabilities on in the near future and we're really excited about bringing some of those capabilities to our clients.

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