

WHITE PAPER

# Best-Fit Global Delivery: The Need to Deliver Both Flexibility and Consistent Results

In this paper, we examine some of the challenges of working in the global market and the ways that organizations are adapting their operating models to survive and thrive.

We talk about the need to have strategies in place to respond rapidly to economic, political and cyber security risks.

We examine the way in which CGI has developed a global service model that combines client proximity with global resources. We illustrate the way in which CGI blends its onshore, nearshore and offshore teams in different ways to meet the objectives of individual clients, and how CGI adapts the blend as its clients' objectives evolve.

We also talk about the need to combine the core principles of flexibility and consistent results through a common governance model.

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## The challenge of globalization

We all live, work and seek to thrive in an increasingly competitive global economy. This presents us with many opportunities, as well as many challenges.

To compete and win, we must reach across global markets to access new customers in newly wealthy markets. We also need to attract and retain the best talent at the right price in global labor markets, so that we can be competitive with our products and services.

Meeting these challenges requires significant planning and investment. Yet, for enterprises who are in the business of providing services to customers, this is just half of the equation.

We must also harness the benefits of what the global economy provides and channel these into personalized services delivered at the local level. We need to be the alchemist who transforms global into local.

At the same time, as we source or operate the supply side of our enterprise in multiple local locations across the globe, we must find a way to do this so that consistent results are achieved wherever we operate in the world. In this case, we need to be the alchemist who transforms local into global.

Doing this successfully may require some fundamental changes in how we run our business and the way in which we work with our suppliers.

Take these four major businesses as examples, each of which has adapted its operations to the challenges of globalization:



**Norwegian energy company Statoil**, the world's largest in offshore exploration and drilling, has expanded its activities from Norway to across the globe, implementing a new set of global processes and practices.



**French luxury goods retailer LVMH** has expanded its operations in the Asia-Pacific region to reflect the rapid increase in consumer wealth and demand for its products.



**Anglo Dutch energy company Shell**, one of the world's largest companies, runs global vertical businesses and expects its strategic suppliers to serve these businesses seamlessly from all parts of the world.



As trading flows and patterns of wealth and investment change, **large global banks such as Deutsche Bank** are focused on operating dealing rooms in multiple locations across the globe.

You may be in one of the same industries as Statoil, LVMH, Shell or Deutsche Bank, or in a different industry altogether. But whether you're facing the challenge of price competition, delivering more value for less cost, reaching new markets, adapting to new ways of working, or perhaps a mix of these and many other challenges, it is a fair bet that your industry is facing the headwinds of global change.

The markets in which we operate are fast changing, too. Advances in global communications, knowledge sharing and innovation have made the world exponentially different from where it was 20 years ago, and even from one year ago.

Your competitors are most likely addressing the challenges of globalization. How are you responding, to stay ahead of the pack? And, in the process of addressing all the many levers that can increase your competitiveness, how are you continuing to deliver personalized service to your customers at a local level, manage risk and deliver consistent results?

## Key hazards to navigate

In responding to the challenges of globalization, three complications that we frequently encounter are the need to avoid being locked in to the fortunes of a single economy, the need to manage political pressures, and the need to have an effective cyber-security strategy.

### RISKS ATTACHED TO INDIVIDUAL ECONOMIES

There are risks to having all of your eggs in one basket. These can include “hard” risks such as political stability, terrorism, wage inflation, data protection, and “soft” risks such as changes in customer preferences and attitudes.

Enterprises need the agility to reposition their activities quickly in response to changing risks and conditions. Those enterprises that have already invested in achieving consistent global delivery capabilities across multiple locations, either internally or with suppliers, will find this easier than those companies that need to build something fast when a crisis occurs.

### THE NEED TO MANAGE POLITICAL PRESSURES AT HOME

In tough economic climates, governments seek to balance cost savings with the need for local jobs. Enterprises that serve government clients from across their global operations need to create jobs onshore, not only offshore, while delivering “more for less.” Service companies, such as CGI, must be able to offer onshore, as well as offshore capabilities.

### THE NEED TO PROTECT AGAINST CYBER THREATS

In today’s global economy, borders are nets rather than walls. And, when it comes to the movement of electronic data, borders can be totally porous, increasing the risk of cyber threats.

On the other hand, governments have shown they will take action both to demand data from overseas (e.g., U.S. Patriot Act) and to prevent the movement of data out of the country (e.g., the short term response by the Indian government immediately after the Lehman collapse). How effective then are the borders that you or your service providers have created to ensure data security?

Commercial and government organizations, as well as their service providers, must have a strategy to protect data within the shifting world of government legislation and also to counter cyber threats.

These are all significant hazards and could be enough to persuade you that, as far as a global strategy for your enterprise is concerned, “do nothing” might be the safest approach. But “do nothing” is unlikely to keep you ahead of the competition in the fast moving global economy.

## CGI’s response

CGI is in the business of combining global resources, industry expertise and creative problem-solving to help clients such as Statoil, LVMH, Shell and Deutsche Bank to win and grow. Our commitment to delivery excellence has yielded an industry-leading track record for on-time, on-budget delivery. This is the heart of our value proposition.

We invest to meet our client’s future challenges through a full-service portfolio and flexible delivery options. This includes strategies to ensure that our delivery is not hostage to the fortunes of one economy, strategies to create jobs onshore as well as offshore, and a robust set of strategies and processes to protect our clients against cyber threats.

CGI balances the needs to be both global and local with a best-fit global delivery model that combines a global network of resources with local accountability. Our unique client proximity model is designed to deliver quick response and local accountability for success.

Key features of this model are quality management, an outcome-based approach and flexibility.

- **Rigorous quality management:** Through the CGI Management Foundation and ISO-9001 certified quality frameworks, which support excellence and consistency across our global delivery network
- **Outcome-based approach:** Incentivizes CGI to continually find ways to improve productivity and provide the best service at competitive prices, while maintaining predetermined service levels
- **Flexible models:** For delivery and contracting, which enable us to adapt to the evolving cultural, business, language, security and time zone requirements of our clients

Globally, CGI has 69,000 members across 40 countries, giving us local presence and proximity to our clients in our target markets. To achieve the benefits of globalization and scale, as well as to complement the work we do onsite at client premises and in local offices, we operate 24 onshore, nearshore and offshore global delivery centers that employ more than 18,000 of our professionals.

CGI's best-fit global delivery network uses a common governance model across these 24 centers, as well as common operational processes, for consistent results.

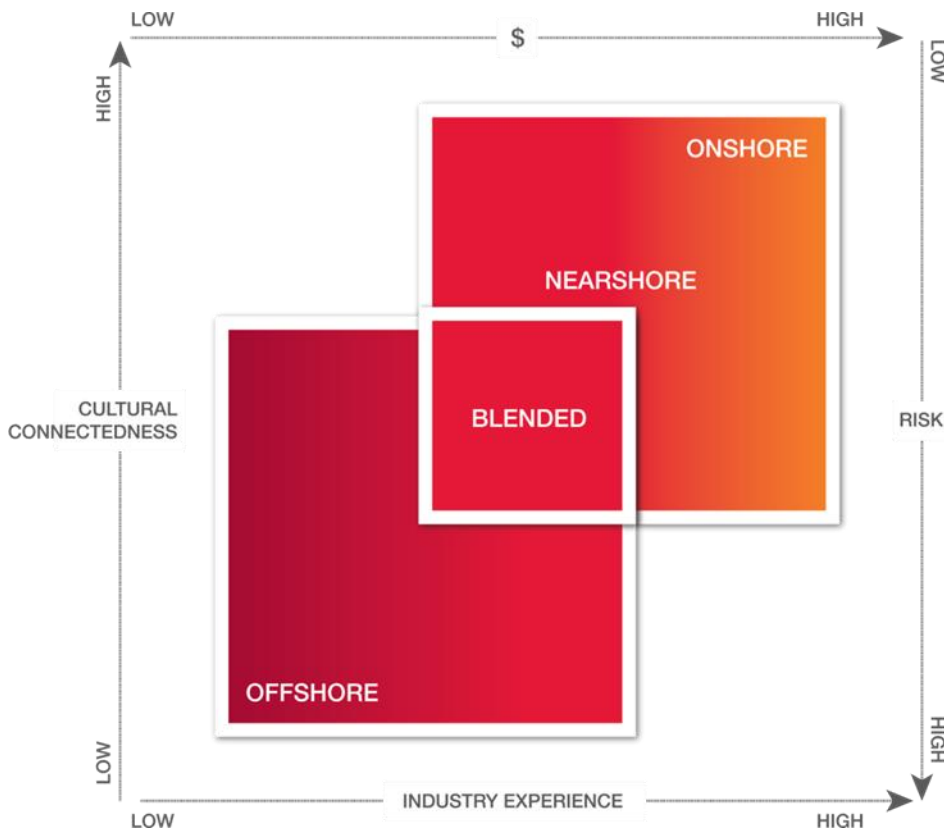


This network of global delivery centers around the world enables us to diversify risk, access talent at the right price, achieve cultural alignment, and provide multi-lingual services across multiple time zones. Our clients are located around the world, so what might be onshore or nearshore to one client might be considered as offshore by another. It is therefore important that all our global delivery centers operate based on common standards.

We are also able to run services 24/7 for our clients by combining seamless delivery across a number of our centers based on “follow the sun” principles.

## The need for agility

We invite our clients to explore the best blend of delivery resources to meet their needs.



This blend will clearly differ from client to client. Typical factors to consider in determining the best fit for each client include the following:

- **Client preference:** Are there specific preferences, relating perhaps to cultural affinity for end-customer services or adherence to government policies, in terms of the use of onshore, nearshore and offshore delivery?
- **Level of interaction:** How often does the client want its teams to travel to service delivery locations?
- **Criticality:** What is the relative importance of in-scope systems and processes to the client's ability to run its business?
- **Stability:** Are the client's systems and processes in a stable state, or are they in a fluid state and subject to a high level of ongoing change that requires frequent interaction with the business?
- **Complexity:** Are the client's systems and processes complex—an example might be in capital markets—or relatively straightforward?
- **Availability:** What hours and in which time zones are the systems and services expected to be available?
- **Expertise requirement:** Are specific skills or industry / domain knowledge and senior level experience required, which might be available only in a limited number of locations?
- **Service level:** Typically the highest service levels will require a commensurately high number of staff to be available in support of the service.
- **Critical mass:** Does a particular location operate within a market where there is an ample supply of suitable staff at the right price to cater to frequent changes in demand and the requirement for dynamic capacity?
- **Savings requirement:** What level of savings does the client's business case assume to meet its objectives, which may restrict the choice of delivery locations?

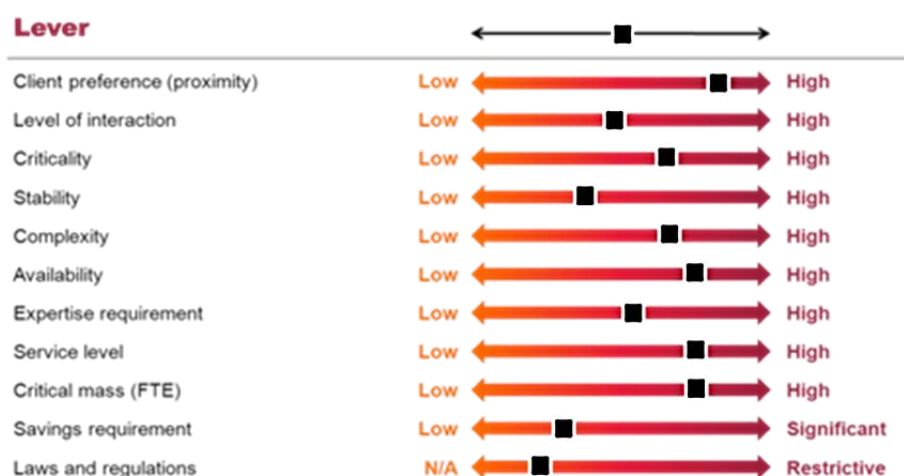
- **Laws and regulations:** Are there laws and regulations—for example, in the area of data protection or for the protection of local jobs—that influence the choice of delivery locations?

Once the decision on these criteria has been reached, the best-fit blend of service locations can be established on an individual client basis.

It is then important to keep the blend of service locations under review on a regular basis. Client needs and priorities change, technology evolves, demographics change and new talent pools develop.

Let's take an example, of how the target mix for one of CGI's clients has varied over a number of years in an applications management contract:

## STAGE 1 – 2004



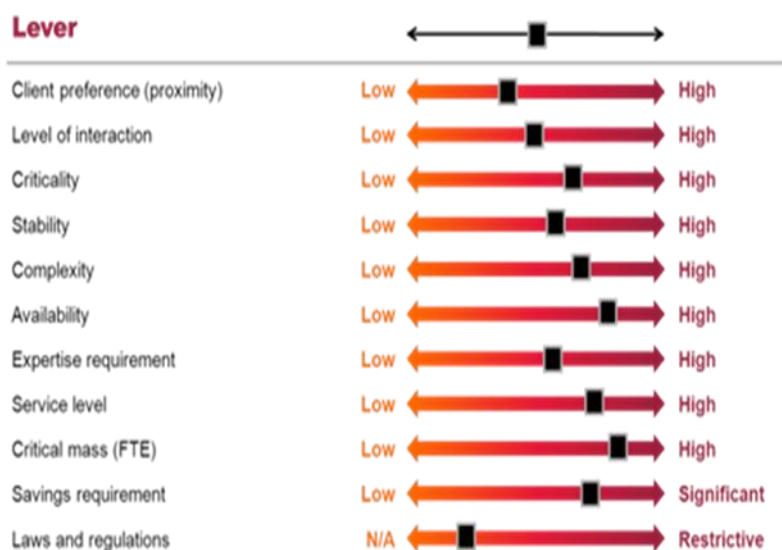
The initial delivery location profile was highly influenced by the relative instability of the applications for which CGI was assuming management responsibility and by a client preference for proximity.

A best-fit delivery model was created with 40 percent of the service provided from onshore centers and 60 percent provided from nearshore centers within two hours of travel distance.

## STAGE 2 – 2009

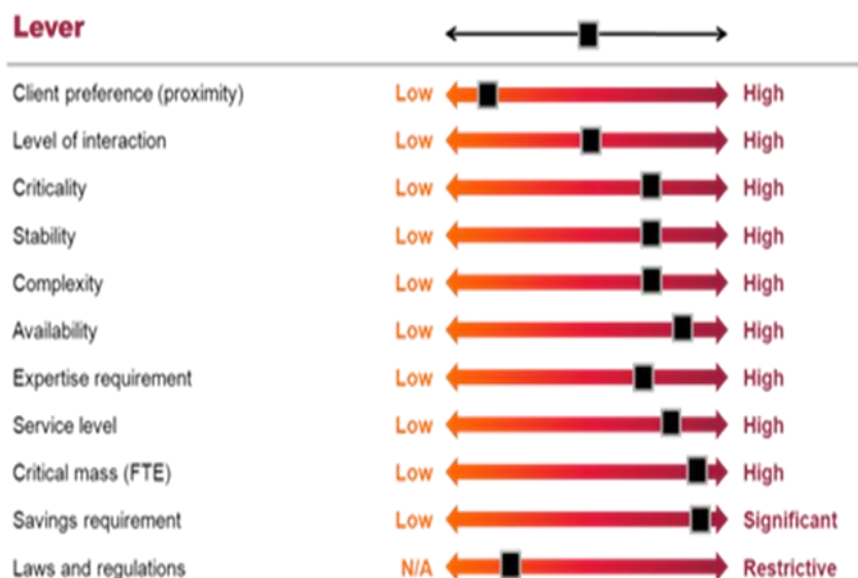
As the applications became more stable and fully documented, and the service became more mature, the requirement to deliver cost savings became dominant.

The best-fit delivery model was adapted, and while 40 percent of the service continued to be delivered onshore, the 60 percent previously delivered nearshore was transitioned to an offshore location



### STAGE 3 – CURRENT MODEL FROM 2012

The offshore team demonstrated its ability to perform the service over a period of time, and further cost savings were targeted by the client. The best-fit delivery model was adapted again, with the onshore component reduced to 20 percent and the offshore component increased to 80 percent.



The above case illustrates a progressive increase in the use of offshore locations within the overall blend of delivery locations.

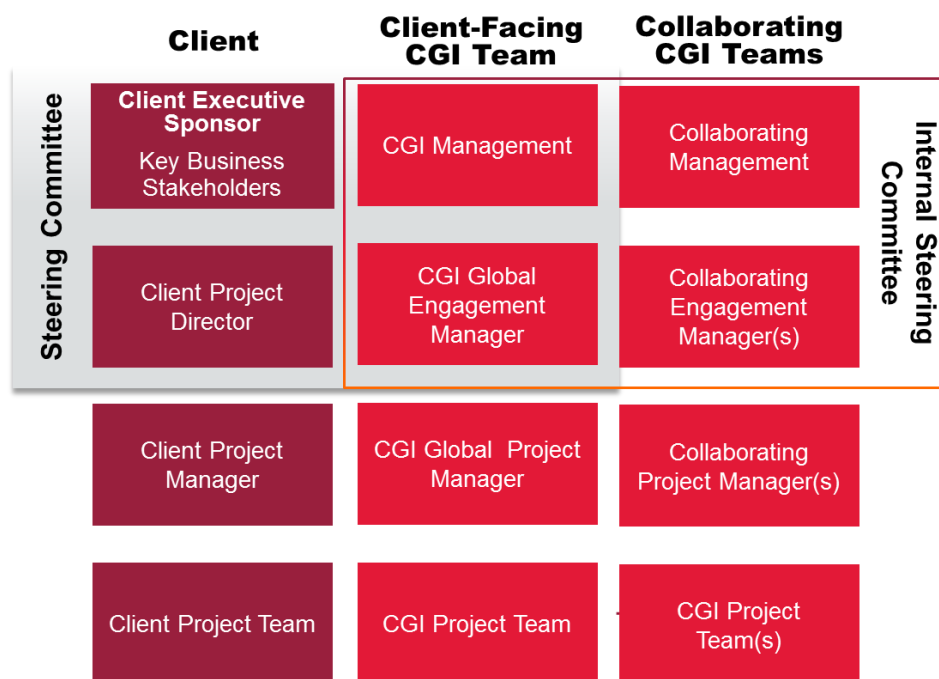
We also work with clients to move work from offshore to nearshore and onshore locations to meet their objectives.

## Importance of common governance

This agility can be achieved successfully because CGI has a common governance model and operational processes across all of its global delivery centers and also provides local accountability to clients. This means that we are able to perform and move work across multiple locations, while achieving consistent results.



Our governance is based on client proximity, local accountability, collaboration, transparency, and the ability to make rapid decisions. CGI's governance model is summarized in the diagram below.



All the CGI resources involved in the delivery of the service, irrespective of location, are interlocked in a common governance process, which in turn is fully interlocked with our clients.

## Conclusion

Globalization offers all of us great opportunities, while also presenting significant challenges. Enterprises that wish to remain competitive cannot ignore the ways in which the global economy is changing the way we all do business.

A key challenge of enterprises in the service business is to harness global benefits to meet the local needs of clients in a way that delivers consistent results. We must also have in place strategies to manage economic, political and cyber risks.

Every business has its own preferences and objectives with regards to the global services it receives. CGI's best-fit global delivery model has evolved over many years to offer choice and flexibility to our clients throughout our service relationship. CGI's common governance model enables us to offer this flexibility while achieving consistent results.

To discuss the topics addressed in this paper in more detail, please contact us at [info@cgi.com](mailto:info@cgi.com).

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Founded in 1976, CGI is a global IT and business process services provider delivering high-quality business consulting, systems integration and outsourcing services. With 69,000 professionals in 40 countries, CGI has an industry-leading track record of on-time, on-budget projects, aligning our teams with clients' business strategies to achieve top-to-bottom line results. For more information about CGI, visit [www.cgi.com](http://www.cgi.com) or contact us at [info@cgi.com](mailto:info@cgi.com).