



Considerations in Evaluating Costs & Benefits of Offshoring and/or Outsourcing

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First American
Global Offshore Services

Background

- Information & Outsourcing Business Segment
 - ◆ 20 business operations
- Outsourced services to mortgage lenders & servicers
 - ◆ Tax Services, Flood Data, Field Services, REO Services, Default Management, Valuation Products, Offshore Solutions
- Offshore since 2001: 4,500 employees
 - ◆ Client related products and services
 - ◆ Applications development
 - ◆ 'Back office' work i.e. accounting
 - ◆ Offshore client processes directly



Big Picture Questions

- Make vs. buy or own vs. lease
We will get to particulars
- Can processes be done outside your own shop?
Work from home test
- Is there in-house expertise to guide the process or will expertise need to be found?
Need a strong network of knowledge
- ‘Political’ Issues
In-house, Market, Industry, Regulatory, Customer



Country Choices

- Language
- Time zones
- Culture: Social & Business
- Education
- Infrastructure: Telecoms & Utilities
- Political & Social Stability
- Exchange Rate Volatility
- Health and/or Safety Risks



General

- Management structure (more to come)
- Legal structure
- Ownership structure
- Tax considerations
- Legal restrictions on:
Transfer pricing, investments, repatriating profits



General (Continued)

- Comparative salary data
- Benefits
- Investment in facilities
- Travel
- Geographic diversity



Staffing

- Comparative productivity
 - Hours/days worked, Holidays
- Inflation: General vs. salary
- Competition for jobs
- Cultural expectations in the workplace
- Experience required



Staffing (Continued)

- Industry expertise
- Balancing capacity
- Ratio of domestic to offshore
- Transportation
- Willingness to adapt: swing shift, language



Organizational Structure

- Wholly “owned”
- U.S. vs. Foreign control
- JV
- Third-party vendor – Domestic vs. Foreign
- Managerial control

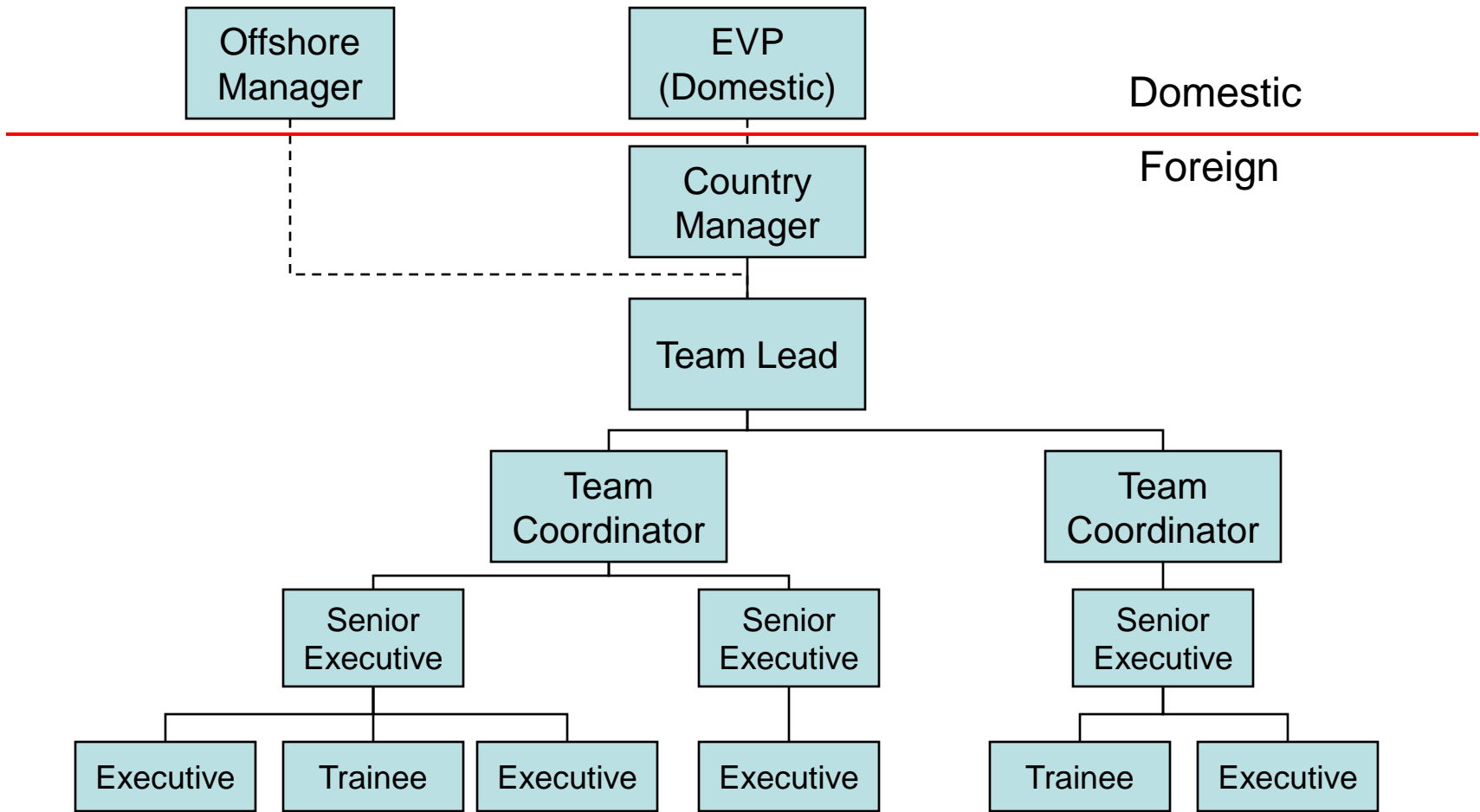


Management Structure

- Reporting structure may be indirect
- Span of control varies with complexity and scale
- Local business practices
- Orientation: Functional vs. product
- Alignment with domestic structure



Management Structure (continued)



Technology

- Quality of telecoms: Data and voice
- Web based versus secure intra-net
- Available support
- Maintenance Windows
- Security
- Business continuity
- Imaging
- Workflow solutions



Security and Compliance

- TruSecure Perimeter Certification from Cybertrust
- Physical Site Security
 - ◆ Biometrics
 - ◆ Closed circuit TV monitoring
 - ◆ 24x7 security
- Sensitive Data Protective measures
 - ◆ No cell phones or other electronic equipment
 - ◆ Email and Internet limited access
 - ◆ Need based paper or printing capabilities
 - ◆ Optical, USB, and data drive secure
- ISO 27001 framework compliant
- Sarbanes Oxley and GLBA compliance



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Which Processes

- Work from home test.
- Complexity
- Operational priority
- Upstream and downstream considerations
- Leverage time zone differential
- Offshoring can fix a broken process
 - Identify and repatriate issues and problems



Which Processes (Continued)

- Integration into domestic processes
- Level of review and monitoring
- How exceptions are handled
 - Can they be escalated easily and effectively?
- Ease of error correction
- Does process require industry expertise
 - Is it available?

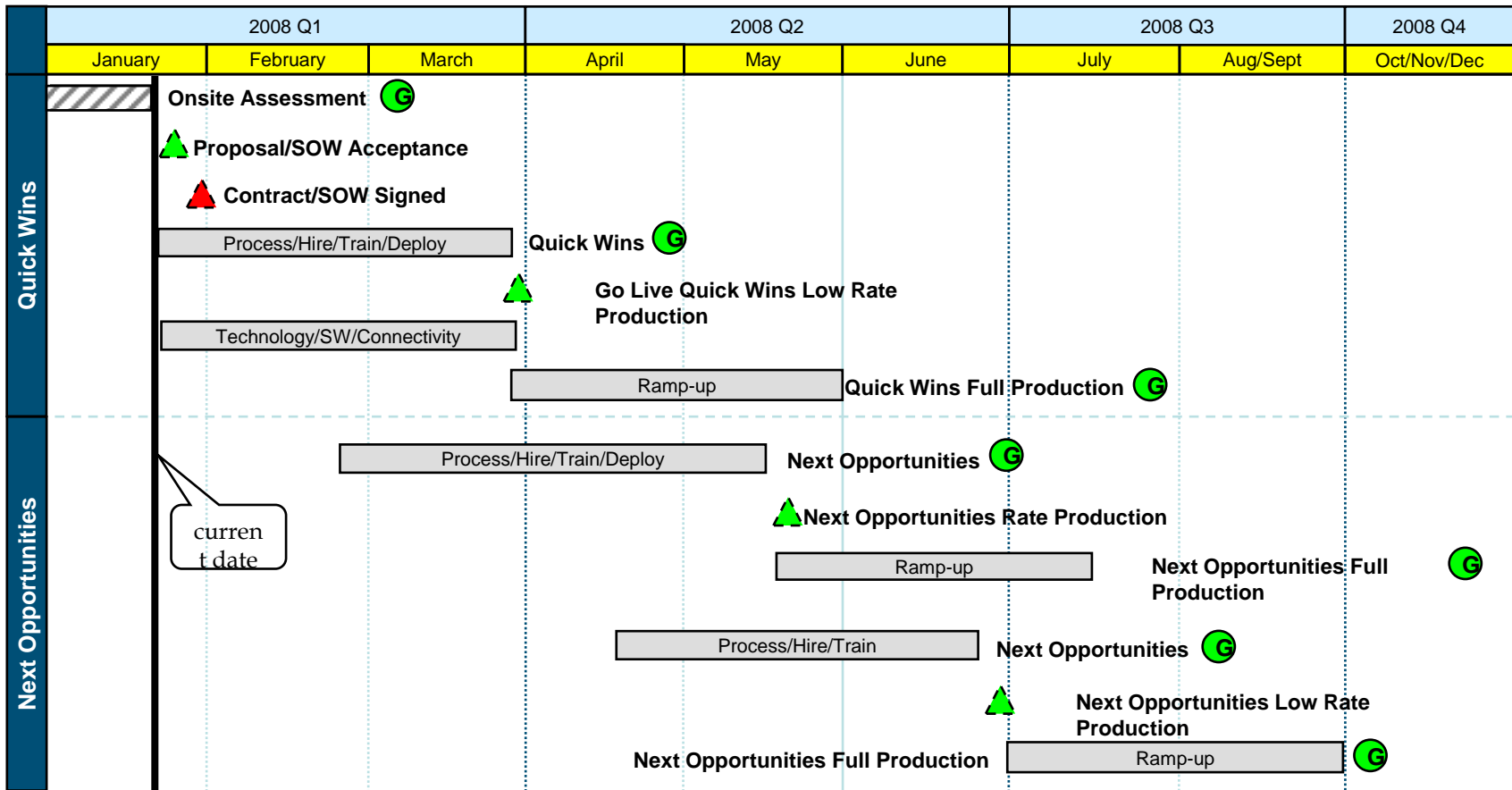


Which Processes (Continued)

- Step-by-step review of workflow
- ID resources needed
- Evaluate existing levels of:
 - ◆ Documentation
 - ◆ Training
- Determine expected volumes
- SLAs and reporting



Implementation Timeline



Key

- Portion Complete
- No Issues
- Issues Requiring Attention
- Showstopper/Critical Issues



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Own vs. Lease

- SLA driven: Results matter
- Many problems are dealt with by vendor
- Allows focus on core competencies
- Delivers cost advantages
- Implementation Time – Weeks vs. months
- Expertise – Time to develop
- Vendor with industry knowledge is more valuable



Own vs. Lease (continued)

- Vendor can assist with process review and selection
- Scalable
- More flexible commitment term
- Currency Risk - Who bears
- Travel Costs – V. high



Benefits of First American Offshore Solutions

Significant impact on an organization's bottom-line and competitive advantages

- ◆ **Speed of Execution** - On the ground, in-place and can implement quickly
- ◆ **Quality** - The overall quality and education level of the employees available internationally is exceptional
- ◆ **Cost** - We have scope, scale, industry expertise and offshore experience to deliver significant savings.
- ◆ **Process Optimization** - Speed up the process and eliminate non-value added activities by applying Lean Six Sigma principles

