Sourcing trends
in operational activities

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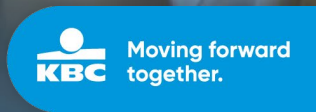
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1 Evolution over time at KBC Bank
(and KBC Group)

External *and* intra-group outsourcing are combined to cater for different/evolving needs

Sourcing at KBC Group has evolved over time

- 'Commodity alike operations' were (and still are) outsourced to external providers in full
- ICT activities were offshored to India
  • Starting of with a fully owned subsidiary (Valuesource)
  • Evolving to a strategic partnership with Cognizant
  • To now being sourced at KBC Group DDC in Varna
- Shared Services were sometimes started as joint ventures with other financial institutions in 2000-2009 but got reabsorbed mostly
- As of 2010 KBC Group started its own Shared Service Center in Brno (Czech Republic)
  • Starting of as the centralized point where all 'reabsorbed' shared services were set up in KBC Group
  • But also aiming at insourcing more operational activities from different entities across KBC Group
- In 2019 a second site for the internal SSC was opened in Varna (Bulgaria)
  • Next to operational activities also aiming at ICT operations

Current intra-group sourcing models are straight forward and mostly SLA/KPI based

In some limited situations full competence centers are outsourced

- RPA/IPA
- Non-SEPA payments

But in most cases, outsourcing is targeting only (partial) processes at KBC Group

- Part of a process, a full process or a group of processes is/are outsourced within a certain activity
- Execution and monitoring are based on predefined SLA's and KPI's
- But process/application ownership and change management stay at the outsourcing entity

2 Current status

Intra-group outsourced activities are representing a sizeable part of HQ operations

KBC's 2 SSC sites are currently housing about 2.000 employees spread over a number of operational activities, representing over 10% of total FTE

- Compliance
- Securities Services
- Testing
- Payments
- Financial Markets
- ICT
- Insurance
- Daily Banking
- Credits
- ...

Current sourcing models are a good starting point but tend to evolve further

The operational nature of the outsourced functions makes change a part of daily life at the SSC

- The growth potential of employees at the SSC is limited which increases attrition
- As employees/teams at the SSC mature natural 'scope extensions' slowly but surely increase the scope of outsourcing

This 'natural' evolution has limits as at a certain moment the next step is a 'knowledge function' which

- Is hard to organize relatively stand alone at an SSC
- Outsourcing entities mostly do not want to give up control over these functions

3 What's next?

Differently THE NEXT LEVEL

Intra-group outsourcing evolving to more hybrid sourcing models

All the reasons mentioned above were making evolution necessary, but of all things Covid-19 was the final catalyst

- Employees, teams and managers have grown in cooperation and now collaborate digitally making teams much more time and place independent
- The Covid-19 peaks led to more and closer collaboration between teams in the outsourcing entity and the SSC to prepare for staff shortages (which in the end never materialised)
- And that in turn opened the eyes of the outsourcing entities to the potential they were not using yet
  - Employees saw their SSC colleagues could be a solution for having to work on public holidays
  - Managers saw the potential to staff scarce and hard to find resources at the SSC

As a result more hybrid sourcing models are now being set up where

- Employees at the SSC are a 'distant member' of a team, participating in its daily activities
- But still are a full part of the SSC that now has more options in career paths and a tool to reduce attrition

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4 New challenges to overcome

Change in organisation is bringing additional challenges

Outsourced activities still need to be monitored, enhanced… from within the outsourcing entity

- Meaning content, process… knowledge needs to stay at the required level
- But with operational activities outsourced and slowly but surely also more knowledge functions being outsourced, possibilities for training and building operational experience are more limited
- So career planning, training paths need a different approach

As a new evolution this means that new staff of outsourcing entities now gets

- Theoretical training at the outsourcing entity
- Practical training through a rotation as 'distant member' of the SSC team

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