



STANFORD

GRADUATE SCHOOL OF BUSINESS

CASE: OD-8
DATE: 3/23/09

GLOBEOP (B): STRUCTURING FOR HEDGE FUND GROWTH, 2003 TO 2008

We didn't lose any of our entrepreneurial spirit while growing our company and focusing on people, processes, and technology. Our business is so intricate, complex, and bespoke that if we don't have proper processes and controls in place, we're not going to succeed.

—Hans Hufschmid, CEO GlobeOp,

Much had changed for GlobeOp Financial Services, both internally and externally, since TA Associates, a private equity and buyout firm, acquired part of the New York and London-based hedge fund administration company in 2003. One major milestone was that GlobeOp went public on the London Stock Exchange in July 2007, offering over 20 million shares at 230 GBX (pence sterling) or approximately \$4.74 (U.S. dollars), leading to a market capitalization of £261.9 million. (See **Exhibit 1** for financial summary.) CEO Hans Hufschmid commented: “GlobeOp’s flotation is an important positive next step in our evolution and maturity as a business, strengthening our brand profile with business partners.”¹

By 2008, GlobeOp was a leader in technology-enabled middle- and back-office² support services and fund administration for hedge funds, fund managers, family wealth managers, and

¹ “GlobeOp to Raise £51.9m in London IPO,” *finextra.com*, June 15, 2007, <http://www.finextra.com/fullstory.asp?id=17051>.

² The middle- and back- office operations of a hedge fund are typically thought to include trade processing and settlement, position and risk management reporting, profit and loss computations, fund accounting, cash and foreign exchange management, stock borrow and bond repo tracking and reporting, compliance reports for regulatory authorities, and collateral and margin management.

Victoria Chang, prepared this case under the supervision of Professor Glenn Carroll as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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institutional investors, serving more than 160 clients worldwide—55 percent in the United States and the remainder in Europe, aside from a few in Asia. (See **Exhibit 2** for product descriptions.) Now with a total of over US\$100 billion in assets under administration (AUA), the company had been profitable since its second year of operations (2001). GlobeOp employed over 1,700 people in all of its offices—including those in London and New York, Dublin, Ireland, the Cayman Islands, Harrison, New York, Hartford, Connecticut, and Mumbai, India. In fact, two-thirds of the company’s employees were based in India by 2008. In terms of services to its clients, GlobeOp handled a broad palette of services post-execution of a trade. Hufschmid elaborated: “We believe we offer our clients everything—we can send the trade to the prime broker,³ do the reconciliations, do the valuations, do the accounting, do the OTC⁴ processing, handle the transfer agency,⁵ etc. Our service offering is much broader than any one of our competitors.”

Since its founding in 2000, GlobeOp had grown from a company where “a group of nimble, multi-talented professionals would leap behind every opportunity or crisis to fix it, to a much more process-driven company with much clearer lines of responsibility, management structures, known points of escalation and exception,” according to Ron Tannenbaum, GlobeOp’s marketing head and one of its founders. By 2008, GlobeOp had defined functional leadership with processes, and developed the technology to support such people and processes. (See **Exhibits 4 and 5**.) But the road to that point had not been easy. Typical of many growth companies, GlobeOp had faced several internal and external challenges that tested the skills and tenacity of its management team. In addition, on the product side, GlobeOp had begun to unbundle its products and target new clients, which required a new emphasis on marketing and sales. As Hufschmid reflected on the company’s path, he wondered whether he and his team had made all the optimal decisions while growing the company, and more importantly, how to map out the future of GlobeOp, given his desire for continued improvement and growth.

INDUSTRY CHANGES

Since 2003, GlobeOp had faced a number of external industry changes that had impacted the company’s strategy and how it operated. “If you took a snapshot of the mutual fund industry 15 years ago and applied it to the hedge fund industry today, you wouldn’t be far off,” Hufschmid said.⁶ He continued: “Certain functions may see fee compression, but the fact remains that hedge funds cannot afford to make bad operational decisions. A mispriced portfolio is terminal for a hedge fund.”⁷

³ Usually an investment bank that offers a variety of services to hedge funds or other institutions.

⁴ OTC stood for over-the-counter securities or securities not traded on an exchange, usually due to an inability to meet listing requirements. For such securities, broker/dealers negotiate directly with one another over computer networks and by phone, and their activities were monitored by the NASD. OTC stocks were often very risky since they were not considered large or stable enough to trade on a major exchange.

⁵ The organization employed by a financial institution to prepare and maintain records relating to the accounts of its shareholders.

⁶ Katherine Heires, “GlobeOp, Administration Master, Looks Beyond Fund Basics,” *Securities Industry News*, September 4, 2006.

⁷ Ibid.

* NB : Didier Martineau resigned from GlobeOp near the end of 2008 to become CEO.

Along similar lines, Didier Martineau,* head of Risk Reporting services, London, commented that the main change in the hedge fund industry since 2003 was the growing number of institutional investors that had begun to view hedge funds as a part of their investment strategy. Martineau said:

The institutional investor has become the larger share of new money and has thus driven demand on the hedge fund manager to have more solid business practices, reporting, etc. Since the source of money for hedge funds is now more from the institutional investor, funds are saying, 'We are running a business,' so part of the business is being able to give a return in a particular strategy. Hedge funds need to be able to hire other traders to run additional strategies to structure products so that people can invest in a very efficient manner to access networks and to raise money. Therefore hedge funds need a strong back-office and a strong middle-office. They can do that on their own or they can outsource that to us, but either way, they have begun to appreciate our challenges. So our relationships with our clients have become more professional, though still demanding.

Tannenbaum added: "If you were launching a firm like GlobeOp today, the barriers to entry would be much higher. Now you need to be able to support complex institutional mandates and their demanding institutional investors—a change from a decade ago when we worked primarily with individual fund managers with \$200 million dollars from private investors. An administrator needs to have integrated, audited processes and controls, and to be continuously investing in technology and infrastructure ... or it won't be able to compete for today's mandates."

The size of hedge funds has reflected such changes too. By 2008, hedge funds had grown significantly in size. More hedge funds had assets under management over \$10 billion in 2008 than in 2002. In 2002, a \$10 billion hedge fund "was considered a monster," said Martineau. Tannenbaum agreed and elaborated: "In the past, it was common to have a dozen new hedge funds launch per week that had \$200 million or more in assets under management. Now there will be only a dozen new launches a year, but the funds are much larger." Tannenbaum added that large asset management firms are launching hedge funds too, "crossing over the barrier" in terms of their products, trading with more leverage and with more derivative products: "There's a lot of crossover in terms of product offerings that reinforces the pattern of consolidation where the big guys are getting bigger."

On the regulatory side as well, there has been a push for more transparency, operational risk management and disclosure, consistent with the institutionalization of the industry. Martineau said: "The reaction from the hedge fund industry has been to answer that push and try to become more transparent, particularly due to the increase of institutional investors."

The credit crisis of 2007 and 2008 also had an impact on players in the hedge fund industry. The credit crisis diminished the capital available for hedge funds to "play" with. Martineau said: "This has led to more volatility in terms of hedge fund returns. That doesn't affect us as much, but what's much more important for GlobeOp is the rate of creation of new hedge funds, and the

capability for existing hedge funds to attract new money. And, obviously, it's slowed down a little bit."

In terms of competition, for a full service firm Tannenbaum argued that GlobeOp's only major competitors were Citco and IFS (owned by State Street). Martineau said that GlobeOp still faced the same competitors in the space of middle- and back-office and administration as it had faced five years prior, but also a few new competitors. Martineau added: "Especially versus the rest of our industry, I think we are very much more dynamic, much flatter in terms of organizational structure, and have much less of an administrative burden than most of our competitors who have been in business for 30 years." Tannenbaum said that IFS did not compete much with GlobeOp in terms of new business, but GlobeOp still often "faced-off" with Citco: "If the client is going to do complex trades such as OTCs or loans, then Citco won't be able to offer a full service. Citco will only win against GlobeOp if the client doesn't want full service. But as soon as the client wants full infrastructure support on derivative products, GlobeOp is really the only one out there."

AN INFLECTION POINT: 2003 AND 2004

Quality Issues

In 2003 and 2004, GlobeOp faced several quality-related issues caused by an increase in external hiring and rapid internal growth. According to Hufschmid, the financial markets had begun to come out of their own "mini-recession," led by the bubble in technology stocks. Thus in 2003, GlobeOp began to lose employees when hedge funds and investment banks began hiring again. "We started suffering turnover," he added. Along with external hiring away from GlobeOp was the company's 85 percent growth in new clients in 2004, which put pressure on GlobeOp to hire rapidly itself. "Not only did we have to hire for growth, we also had to hire for replacement," Hufschmid said. "What happened was that new employees would come in, be assigned a desk, and they would begin working with clients. We really did not have time to orient or to train them thoroughly. So the employees were under a lot of stress and had to work very long hours. In some cases, this led to client service issues."

John Meager, COO of London and former LTCM head of European operations, agreed, but added that GlobeOp's internal processes were not equipped to handle the rapid growth of employees and clients: "We were going through a growth period and it was even more difficult because we didn't have any centralized processes. We'd have various groups regionally doing things in roughly the same way, but not exactly the same way."

Hufschmid attributed GlobeOp's challenges in dealing with such external and internal changes and the resulting quality issues to a "lack of scale." He said: "Scale in our business is extremely important. If you don't have scale, you cannot provide quality service." To Hufschmid, there were two elements of scale—one was technology and the other was people. From the founding of GlobeOp, Hufschmid and his team had focused on technology, having built a distributed message-based environment that was scaleable. "We never really had major issues with our technology," Hufschmid said. "We had to buy more computers, but we never had to buy bigger computers—that's a big difference," because eventually there are no bigger computers. But there

are always additional computers. However, in terms of Hufschmid's other element of scale—people—he felt that GlobeOp had several issues it needed to resolve. “We had to hire a lot of financially educated people in a short time, but we just couldn't do it effectively in London and New York because we did not yet have the proper management in place.”

Hiring a COO

To remedy the management and people issues, as part of the TA deal⁸ Hufschmid had made sure to negotiate hiring a COO as a condition of the agreement. Originally, in 2003, the four New York-based members of GlobeOp's management committee had opposed hiring a COO, while the four London-based members had approved. At that time, Hufschmid had acquiesced and simply “reshuffled the deck” in New York, but always felt that it was a “Band-Aid solution and not sustainable over the long term.” He added: “None of the founding partners had experience in managing larger groups of people. In New York, we were right in the middle of “hedge fund alley,” competing with hedge funds and investment banks for employees. “We were a young, fledgling company and we struggled to compete in hiring.”

In 2004, GlobeOp successfully hired Vernon Barback as COO. Barback was responsible for the operations and technology, along with HR, but not legal, compliance, finance, sales, or risk. Barback had come across GlobeOp when he was in the process of setting up his own business, meeting with vendors in the hedge fund space. When he met with GlobeOp, he was immediately impressed with the company's technology. He recalled: “I thought that GlobeOp was different because they had an intensity of focus on technology and tools that I didn't see when I visited other companies.” As Barback continued talking to other players in the space, he heard a recurrent theme, “which was that GlobeOp had some really to-die-for technology but the company's quality control around its operations and its processes was very mixed. I came to the conclusion that here was a company that had some great technology and at the same time some issues in the organization of its operations. When the COO position came up, I viewed GlobeOp as having both a problem and an opportunity, and their problem was something that I could help with and add some value to.”

India Expansion and Growth

While hiring a new COO in mid-2003, GlobeOp opened an office in Mumbai, India, due to labor supply, quality and cost, time zone, and consequent advantages in work flow. The India idea was originally proposed by Nandini Sankar, an Indian national and former LTCM colleague, who played a strong role in building GlobeOp's early technology. The concept was that when workers in India walked into their offices, closing prices and position data from New York, for example, would be available to reconcile P&L, investigate fails and breaks, and perform many of GlobeOp's other operational functions. Mumbai was five-and-a-half hours ahead of the U.K. and nine-and-a-half hours ahead of New York City. Sankar reflected on why she and GlobeOp originally chose Mumbai: “I'd looked at several cities in India and I felt that Mumbai was the

⁸ Since GlobeOp had been growing rapidly, there had been steady external interest in the company from venture capitalists and other investors by 2002 and 2003. In the fall of 2003, just as GlobeOp had become profitable, TA Associates acquired part of the company, receiving a large minority stake in GlobeOp in exchange for \$82 million.

one where large numbers of people had finance in their blood. You would see them walking around with *The Economic Times* and talking about the stock market.”

One of the first things that Sankar did after opening the India office was to hire a CFO because she had arrived in India alone and wanted to make sure that the company was set up properly. That first GlobeOp office was established in the central business district in Mumbai next to the National Stock Exchange. At the time, Sankar could not have predicted the rapid growth of the India offices. Initially, she had estimated that the office would grow from 30 people to 500 in five years, but the growth rate proved to be much higher as the Mumbai staff helped to transform the way GlobeOp conducted business.

Sankar also made sure colleagues from the U.S. and the U.K. did not view India as an exotic locale with “elephants and snake charmers” or a place where “visitors risked getting sick.” She insisted that GlobeOp experts travel to India to help train the new hires, and place visitors in quality hotels, making sure they were treated well. “We wanted people to have a great time in India so that more people would volunteer and do the training. It was more cost-efficient for us to bring people to India versus sending hundreds of people to the U.S. or the U.K.”

As part of her strategy, Sankar was also careful not to appear threatening to the rest of GlobeOp in the U.S. and the U.K. She said: “Right from the beginning, we did not say that we were going to take away their work. Instead, we tried to make their work easier. For example, with reconciliations, you have to go to various websites and download files so that you have data to be able to start your work. That was one of the first things that we did in India, where we downloaded the data for others and sent it to them via e-mail so that when they walked into the office, they could start their work immediately. That helped the other offices recognize India as colleagues versus people stealing jobs.”

By the end of 2005, the company had close to 400 people in India. “What drove that growth were people in the U.S. and the U.K. appreciating our work and wanting to move other processes to India,” said Sankar. “Hans [Hufschmid] and the management committee helped us to be successful because they allowed for greater headcount. If a process required three people, for example, they would approve headcount for four to six people to make sure that we could improve both the process and quality of work long term, not just short term. We were able to shift from just struggling to finish the work, to really adding value. The people in the U.S. and U.K. were thus able to focus more on reviews and on conducting more analysis-based processing, as opposed to just generating a report that looked good.” In fact, Barback had given Meager the mission of moving 80 percent of the work from the U.K. to India. In essence, the goal was to focus India on what Meager labeled “production,” while review and client-facing activities would take place in the U.S. or the U.K. Meager commented: “That figure came from the 80-20 rule—in some cases it’s 90 and in other cases it’s 60, but overall, we are ahead of the game.”

The years 2004 and 2005 were major expansion years for the India office. In 2004, GlobeOp added another floor in the same building (the original floor had 8,000 square feet and housed 100 people). By the end of 2004, both floors were full. In 2005, GlobeOp opened its second office in Mumbai, adding a 40,000 square-foot floor that could seat 350 to 375 people. Hufschmid

commented: “By the end of 2006, when we started to get ideas and profit improvements coming out of India, I knew that we had arrived. We had about 800 employees in India by then. We had a proper training class, proper ways to develop people and a very well-designed hierarchy and compensation structure in place.” In 2006, GlobeOp opened a third office in Mumbai, bringing the Indian workforce to nearly 1,000 out of 1,500 total employees by January 2007.

THE NEW MANTRA: PEOPLE, PROCESSES, AND TECHNOLOGY

While Sankar and her team were building India, Barback had been busy focusing on building GlobeOp’s “people, processes, and technology.” He said: “This meant that first you hire the right people, then you put in place the proper processes, and then you build technology to automate everything.” Hufschmid commented: “The whole culture of the company changed as Vernon [Barback] implemented this new mantra. It became much more calm and controlled and the company lost its aggressiveness. It was still hectic, but people dealt with issues in a more professional and more controlled fashion. Vernon himself is very calm and thoughtful too, so that helped shape the culture.”

People and Organization

Accountability and People Gaps

When Barback first arrived, Hufschmid told him, “All 38 of the directors report directly to you,” flattening the old organization and giving Barback the opportunity to reorganize as he saw best. Barback promptly met with all of his 38 direct reports and quickly started to identify the “very strong people that were first amongst equals.” He added: “Generally, my view in business is that if people do a good job, give them more responsibility.” Philosophically, Barback also felt that although GlobeOp was a relatively young company, “institutional knowledge was at a premium.” He said: “I felt that we had to thrust more accountability into the organization, which is what Hans and I talked about before I joined, and secondly, I knew we had to bring in some outside talent because the company had grown so fast that in some ways, it was expanding faster than people could grow.”

Barback also identified some “gaps in the organization.” Barback and GlobeOp hired a few external people such as a new CTO, Bob Schwartz, after a year of interviewing. They also hired a new expert, Tom Kirkpatrick, to run Quality Assurance. Both hires were “spectacular successes.” According to Barback, Schwartz focused on developing a disaster recovery system and improving the resilience of the technological infrastructure, for example.

“We also made a couple of mistakes in hiring,” acknowledged Barback. The company’s initial hire to run the OTC business and another hire to manage some of the major clients did not deliver optimal performances. The role of Ira Rosenblum, one of the founders, also changed from head of operations to head of client relationship management or CRM, along with running another operating group called Account Control, which he had run before Barback’s arrival. The six-member CRM group was a customer relationship management area that was independent of day-to-day operations. It was a group of people who knew the inside of GlobeOp very well but did not originally interact with the client on a day-to-day basis. CRM team members’ roles evolved, they visited the clients between two and four times per year, asking how they could help

improve GlobeOp's service. Hufschmid said: "Suddenly the client had an avenue to make suggestions for changes in processes and there was a greater understanding on their part of how their processes contributed to the success of our relationship too."

Matrix Organizational Model

When Barback started working at GlobeOp, Hufschmid gave him free reign to "ignore the existing organizational structure," noted Barback. After India was firmly established and growing, Hufschmid said: "The question was, how do we structure the organization globally to be the most effective?" GlobeOp had originally had operations teams and accounting teams in India as well as in New York that dealt with the same clients. Hufschmid said: "The New York people sometimes did not want to rely on the India output. Partly, this was historical because people in the U.S. are less accustomed to South Asian colleagues and culture than people in the U.K. There was also the time difference, which was greater between the U.S. and India than between India and the U.K., so there was less overlap. The duplication of teams in New York and India caused accountability confusion and issues."

To help solve these issues, Barback and his team reorganized the company into a matrix reporting model around functions (e.g., client management/fund accounting, quality assurance, technology, etc.) and regions (London and Europe, North America, and India). (See **Exhibits 6 and 7**.) After the shift, GlobeOp's traditionally strong functional lines of management also had new dimensions of geography and customer alignments. Barback said: "While we've always organized around functional responsibilities, we were also very conscious that we needed senior management in India that would not take a siloed view, but would look across the whole organization and make sure that the different parts of the organization were supporting each other and supporting our clients as seamlessly as possible. We also needed to make sure that personnel practices were consistent across the countries as well as at the country level."

In the case of India prior to the matrix organization, Sankar's team reported to her in 2003 and 2004, and Sankar reported to Barback. Similarly, Rob Diaz, the North America COO, had many groups reporting to him, but no one in the U.K. or India reported to Diaz. In London, John Meager had a similar situation. Beginning in 2006, the global element was added where in India (and other regions), functions reported to global group heads of functional areas. One of the first global groups that GlobeOp created was the Quality Assurance (QA) group, headed by Tom Kirkpatrick. For example, the head of QA in India reported directly to Kirkpatrick instead of to Sankar as he had before. The India QA head had a dotted line to Sankar, however, and Sankar would help that person with people issues like hiring and other regional issues. "The global heads are always involved in meetings related to people," noted Sankar.

After the institution of global heads of functional areas, Diaz became the global head of fund accounting while also serving as the North American COO. He had direct reports in New York, London, and India, or people reporting to one of his direct reports. Many global heads of functional areas also had regional responsibilities, such as technology, internal audit, investor relations, and HR. Specifically in the case of India, Hufschmid added: "Our fund accountants around the world would be directly responsible for the work product, so if India produced faulty work, they had to resolve it, had to talk to the team in India, had to get involved in the hiring of the global team leaders' senior people in India and had to take responsibility."

By 2007 and 2008, nearly every group and function at GlobeOp had a global head, and regardless of location, people within those groups and functions rolled into the global head. Barback said: “This fund accounting organization model has worked so well for us that we’re going to take it to the next step and apply it to operations, to OTC operations, to central pricing, and to investor relations—in effect, the major client-facing functions, as two-thirds of our employees are in those five groups.”

Operating Committee

Related to organizational changes, Barback implemented an “operating committee” that basically ran the day-to-day activities across the majority of the company. Originally, GlobeOp’s management committee “ran the firm,” according to Hufschmid. “But a management committee shouldn’t really be running the firm day-to-day, but rather dealing with strategic issues, direction, and projects. The day-to-day running of the firm should be in the hands of the people who run the business.” The new operating committee was chaired by Barback and included the COOs of New York, London and the COO of India, the head of investor relations, the CFO, CTO, and the head of Quality Assurance. The committee met weekly and discussed work issues related to products, organization, and the day-to-day running of the business. Hufschmid was also on the committee, but Barback ran the meetings.

Sankar said: “GlobeOp had always been a close-knit firm where people knew each other from Long-Term Capital so we worked pretty well together. However, as we were growing, there were new people that did not have relationships with the existing people. The operating committee was a great idea because that brought us together and gave us a common platform to meet and to talk about issues. It also gave the other parts of the organization the reassurance that there was this committee that they could go to when there were problems.”

Command and Control: Improving Processes and Investment in Technology

When Barback first joined GlobeOp, he observed that the company had some “very talented people,” but its operations had “become fragmented.” He said: “There were different operations groups using the same technology in different ways, a little bit ad hoc. It might work perfectly well, but there wasn’t enough institutional knowledge. If there [was] staff turnover, or somebody was out sick, they would draft in someone new to cover for that, and the new person would do it their way and the process would break. It became clear to me that we had to put in a little bit more of a command and control structure around operations, particularly related to processes and the underlying technology that supported the processes.”

In 2004 and 2005, under Barback’s leadership, GlobeOp reviewed its processes and standardized them around best practices. The company also documented procedures and trained its employees on the new processes. Barback said: “We organize processes into modules, reflecting specific service sets and investment types. When clients join our platform, they are asked to define their investment focus and the suite of services they require from us. We then ‘mass-customize’ the set of process modules that serves that client’s needs.”⁹

⁹ GlobeOp 2007 Annual Report, p. 11.

GlobeOp's technology managed the allocation of client processes and internal work processes and flow. As discussed above, Hufschmid had always emphasized the importance of technology as part of GlobeOp's overall strategy. He said: "I'm certainly a strong believer in technology for competitive advantage. I know that customers and prospects who have done extensive due diligence on market competitors tell us that we have the best technology out there. That gives me a great deal of confidence that we have a leadership position."¹⁰ Meager attributed GlobeOp's focus on technology directly to Hufschmid: "I used to work for Hans at Long-Term Capital Management, and prior to that I was at Salomon Brothers for a number of years. And I would honestly say that I have never come across someone as senior as him that knows more about technology. It's to the point where, if you have an issue with your desktop PC, he knows exactly what the problem is." The company's operating platform combined external vendor systems such as Reuter's Kondor+ and Advent's Geneva with proprietary applications such as GoOTC™, GoRisk® Reports, GoCheck™, and GoTask™.

Proprietary Technology: GoCheck

Barback quickly discovered that the GlobeOp team had already internally developed a technological solution to help centralize processes. GoCheck was the name of a centralized workflow management system that documented and managed client interaction and processes. Hufschmid, who was the brainchild behind the system, described the system as a central hub of all information. GlobeOp had started developing the GoCheck technology in 2002.

Martineau said: "It's a very powerful system where I can look on a screen and see if there is anything that is late today for any client for any task." The system was not only a storage hub of information, but a procedure and monitoring hub. On any particular day, employees could log in to GoCheck and a list of tasks would appear, along with deadlines. Managers could monitor the work, since employees would need to tell GoCheck when a certain task was completed.

As transparency in the technology evolved, GlobeOp could show clients GoCheck too (the client version is called GoTask): "That capability is giving us an edge, in the sense that our clients can feel like they're really in control of what's going on here. It gives our clients an extra level of comfort knowing they can just open up a screen and see that every day GlobeOp is doing 250 things for them and if things are late, our managers can drill into it and make sure there's some reason for that," explained Martineau.

Barback "realized that GoCheck could be part of the solution of helping to establish more consistent practices around the organization, and a stronger command and control module." He wanted GlobeOp's employees to document work in GoCheck so that the documentation was an exact mirror of the work itself. He said:

If we have 12 client service groups—different business units that are operating in parallel—working for different groups of customers, let's make sure that we get the 12 groups around the table and talk about the many different approaches. Then we reach a conclusion about which is the single best practice. We also need to re-document GoCheck for everyone, consistent with that single best practice, and we retrain everyone in all the 12 client service groups to move from the multiple

¹⁰ "Keeping Pace with Its Hedge Funds, GlobeOp Goes Global," *Securities Industry News*, January 15, 2007.

practices that were no longer being used to the one best practice that is being used and that is properly documented in GoCheck. We've been very, very rigorous on that point, and continue to be so, so that now we not only use GoCheck for our clients, but we also use it internally. If we are bringing on a new employee, all the steps are laid out in GoCheck. If someone's leaving the firm, all the HR steps are laid out. So we use it in HR, in Finance, in Legal, but in different ways.

Tannenbaum added that GoCheck helped with global work flow: "GoCheck is very good for managing our global "follow-the-sun" workflow because when everyone enters the office, the first question they ask is, 'What's already happened?' GoCheck tells you that and it tells you that every day. It's very good for managing employee turnover so that you don't lose as much corporate memory. People document each step, sign off on it with the client, lock it up in the system, then as you rotate new people in, you can just tell them, 'Here's the bible, these are all your daily tasks—once you've finished them, you come in the next day and you do it all again. Tick this box when you're finished and you move on.' You can almost do it with crayons—it's very simple."

Another benefit of the GoCheck system was that GlobeOp's 2006 and 2007 SAS 70* audit (Statement on Auditing Standard 70)—an independent examination that assessed the internal controls of a service organization—came through with "flying colors," according to Tannenbaum. He said: "The SAS 70 is a very invasive audit of all of your systems and processes and can last nine months, as well as cost a lot of money. But when it's done, you have a very good review of the design and operating effectiveness of our controls"

One of the other proprietary applications was GoBook™, an application for hedge fund performance reporting. In 2006, the company launched GoBook, an online tool for comprehensive and transparent reporting of hedge fund performance to investors. Hufschmid said: "Institutional investors are adding hedge fund investments to their portfolios. These investors require transparency and performance detail [that GlobeOp is in a position to deliver as an independent party]."¹¹ GoBook collected data on behalf of its fund clients, and then enabled funds to publish that data to their clients (investors or prospective investors). Hufschmid said: "Investors can be assured that the data is accurate and calculated in a consistent manner by someone other than the hedge fund."¹² Specifically, GoBook allowed fund managers and others to authorize user access to: 1) fund return data, performance metrics, flash returns, manager comments and publications; 2) fund level net asset value (NAV) data and manager assets under management (AUM); and 3) fund decomposition against a range of measures—profit and loss (P&L), cumulative P&L, net NAV and gross NAV. Moreover, fund performance could be benchmarked against a range of indices including CAC-40, DAX, DowJones, NASDAQ, Nikkei 225 and the S&P 500.

Despite GlobeOp's focus on developing stronger people, processes, and technology, Hufschmid felt that the company "did not lose any of our entrepreneurial spirit." He said: "For us, having

¹¹ "Keeping Pace with Its Hedge Funds, GlobeOp Goes Global," *Securities Industry News*, January 15, 2007.

¹² Ibid.

* GlobeOp successfully completed a SAS 70 Type I in 2006 and a SAS 70 Type II audit in 2007 & 2008.

the proper processes and controls in place is absolutely paramount. Our business is so intricate, complex, and so bespoke that if you don't have proper processes and controls in place, you're not going to succeed." Hufschmid felt that the organizational infrastructure and culture remained "very, very flat." "We still have plenty of new ideas and do new things that will be driven more by me and maybe a little bit by Didier [Martineau] in London, while Vernon focuses on processes and control. We're all quite complementary."

INITIAL PUBLIC OFFERING

GlobeOp's rapid building of infrastructure and processes helped the company prepare for the company's IPO in 2007 (LSE: GO). However, during the IPO process, the company faced a few challenges. Right before the scheduled IPO on the London Stock Exchange in June 2007, the company faced a lawsuit from a former client. The lawsuit delayed the IPO, so that GlobeOp had to pull its IPO and relaunch it three weeks later on July 25, 2007 at 230 GBX (pence sterling) or \$4.74 (U.S. dollars).

The closure of the Archeus fund in 2006 was considered the industry's second-largest hedge fund closure that year, following the closure of the \$9.1 billion company, Amaranth Advisors. Archeus had blamed GlobeOp for "colossal failures" in reconciling billions of dollars in trades in the Animi funds managed by Archeus. The collapse was the "result of our third-party administrator's failure to properly maintain the books and records of our funds," said Archeus in a letter to its investors. Archeus sought at least \$465 million in damages. GlobeOp and Archeus settled for an undisclosed amount, though one analyst noted that the maximum liability under the settlement was "a world away" from the amount of damages that Archeus sought.

On the challenges related to the IPO, Hufschmid said: "We were able to settle the lawsuit with Archeus within three weeks and then come back to market, which was a very unusual accomplishment. We were told by advisors that if we pulled the IPO, we wouldn't be able to do another IPO for two years." The issues that Archeus had with GlobeOp were "related to matters which took place several years ago. We were pleased that an amicable agreement was reached and that we could now put this matter behind us." Under the terms of the agreement, the details of the settlement will remain confidential. The settlement avoided the expense and management resources that would have been required by protracted litigation.

Experiences in the early years taught Hufschmid and GlobeOp to be much more "strict" and to be much more "observant of what our clients are doing." Hufschmid said: "We now monitor 'cancels' and 'corrects' and back-dated trades for our clients. We work with them to clean all these things up because that's really what could create problems for us. If we can ensure our clients give us clean data, then our job is much easier." GlobeOp also began charging clients for cancels and corrects at \$50 per instance.

Hufschmid also felt that the road to the IPO was a good exercise in focusing on the corporate governance of the company and getting that area to the same level as the business itself. Despite Hufschmid's optimism, he ultimately felt that the company's timing was less than optimal. He said: "We had just invested in India for three years, which had depressed our margins a bit due to all of the investment. We knew it was going to pay off and our margins were going to improve.

Also, due to the Archeus lawsuit, there was a little bit of an overhang on the stock. To me, the valuation was not what it should have been.”

The failure of the stock price to move up in a year (as of July 17, 2008, GlobeOp’s stock price was 196 GBX or \$3.92 U.S. dollars) disappointed Hufschmid too. “We’ve reached all of these milestones, but the stock really hasn’t moved up and that is disappointing. Ultimately, we are in this for the long run, however. We’re trying to keep our focus on the business and build long term. I’m sure that ultimately the stock price will properly reflect the value that we’ve created.” Hufschmid attributed the low price to two factors. First, the London market was not as appreciative of high-growth companies as the U.S. market, and second, he felt that because GlobeOp’s stock was very tightly held by institutional investors and employees it did not trade much. He added: “So even when we have people who like our story a lot, they can’t really go in there and buy substantial positions because it’s just not available.”

Hufschmid and the management committee decided to float GlobeOp’s stock on the London Stock Exchange due to the tougher regulatory environment in the United States. He said: “I felt that the U.K. had a more commonsense regulatory environment versus the U.S. In the U.S., what had happened in the early part of 2001 and 2002 with Enron and some other companies made the regulatory pendulum swing a little too far the other way in terms of regulating companies. But if I look at valuations, I definitely think we would have been far better off in the U.S. than in the U.K.”

GROWTH AREAS: PRODUCT UNBUNDLING

From the beginning, GlobeOp had been focused on middle- and back-office support services and fund administration for hedge funds. In late 2006 and early 2007, GlobeOp began to diversify its products to target new types of clients. As part of its new product strategy, GlobeOp had unbundled and stripped out its GoOTC product and had begun offering it to large investment managers and asset managers as a stand-alone service. GlobeOp’s GoOTC product was a tool that allowed clients to monitor OTC derivative trade activity on a stand-alone basis. It provided integrated reviews and status updates or trade confirmations, reconciliations, cash positions, collateral management, and portfolio valuations.

Because of GlobeOp’s background and history with Long-Term Capital Management, the company had always attracted the complex derivatives-trading clients. Hufschmid explained: “There has always been a feeling that GlobeOp knows how to deal with these complex areas and that, to some extent, has become a self-fulfilling prophecy. We had to become very good at processing derivatives because our clients traded a lot of derivatives.” By 2008, GlobeOp processed 2-3 percent of the daily volume in derivatives globally. “We are a very big player in the derivatives market and as big as any of the big banks,” Hufschmid said.

The new product unbundling required GlobeOp to approach hedge funds that were not its clients and offer its GoOTC product to them. “We can now go to these new potential clients and tell them that we don’t necessarily want their administration business, but we can still pitch our OTC processing services and they are very open to listen to that pitch,” said Hufschmid. “That has

gotten our foot in the door with a lot of funds that would not have talked to us before. In fact some potential GoOTC clients ended up giving us their entire administration.”

Beyond hedge funds as customers, custodian banks responsible for keeping the assets of a fund in its custody for issue and redemption were starting to trade derivatives and had become targets for GlobeOp’s GoOTC product. “These custodians are trying to partner with us where we do the OTC processing and they provide everything else to their clients,” said Hufschmid. “We’ve signed three deals with custodian banks already and we’re in negotiations with two more. That’s another area that we hope the business will grow substantially. There’s very little competition in this area for us.”

This new product gave GlobeOp a new client base that paid the firm differently. Hedge funds paid GlobeOp based on a percentage of assets under administration, while the OTC product clients paid GlobeOp per trade, giving GlobeOp some “countercyclical sources of revenue from different clients,” according to Tannenbaum. He added: “I think the future revenue from these new clients will be big. Right now it’s probably way less than 10 percent of our revenue, but I see that growing.” The new GoOTC products contributed over \$2 million in revenue in 2007, but Hufschmid was optimistic about its future revenue contribution potential: “If we were able to get as much business in GoOTC as we have across all of our clients, we would probably generate another \$40-\$50 million of revenues. So the potential is big. That’s not an unachievable target at all.”

Another growth area that had potential for decoupling was valuation. Hufschmid explained:

What we do that makes us different from everyone else is that there are quite a few other competitors out there that do valuations, but we reconcile the trades. In other words, our competitors just take a trade file from the client, they value that, they give it back to the client. But that trade file might be wrong, it might not be reconciled, it might not be the right positions or the right descriptions. So we do these extra steps where we reconcile the trades before we value them. And that is also a big advantage and distinguishing feature. We’ve done it for a long time for our clients, but now we’re starting to sell it as a stand-alone service.

Reconciliation was another area that GlobeOp was investigating in terms of selling as a stand-alone product. Hufschmid said: “GlobeOp could take its clients’ portfolios and make sure that they are in sync with what the street has. It’s ultimately our goal to get a new client group that does not necessarily want to switch administrators. And so it opens a lot of potential avenues for us.”

PEOPLE CHALLENGES

Retention of its employees, especially at the more junior levels, had been a problem for GlobeOp since its early years. Hufschmid said: “Retention is better now than it was before, but it’s hard to tell if it’s because of our efforts to improve retention or because the slower market that has led to less turnover.” He added that retention at the more senior levels had always been “very good,” and “that’s the level we care about most.” For example, in India in 2007, GlobeOp did not lose a

single director. He added: “It goes back to building scale. When we didn’t have enough scale on the people side, there was a lot of pressure on the people and they worked long hours. This created service issues with clients and our people were yelled at by their clients. Now that we have our people, processes, and technology in place, clients are happier and our people work normal hours. So now people in the industry want to work for us.”

Martineau felt that because GlobeOp was a service provider, it continued to face retention problems, particularly in risk management where those people were closest to the front office, where they knew they could make more money. He said: “It’s difficult to keep people in Risk because they have opportunities to go to hedge funds and/or a bank where they are closer to the front office and will have more opportunities to jump onto the front office. It’s difficult to run a business as a service provider where your people can be paid twice as much by either a hedge fund or a bank that decides they really need that guy.”

To combat competing opportunities available to GlobeOp’s people, Martineau and his team pitched the quality of the work, the diversity of what they could do at GlobeOp, the type of exposure they would receive, etc. “What is great here is that they can service a number of hedge fund clients and be exposed to what those clients are doing, and that can change from day to day. As opposed to being at one hedge fund or one bank, where you are going to do one type of equity trade for the next five years.”

Meager felt that GlobeOp offered junior employees a “great grounding” because they had the opportunity to see so much more in an institution like GlobeOp than in an investment bank where “they get tunnel-visioned and pigeon-holed into just a small part of the process.” He added: “Here, they see just about everything. They interact with clients. They interact with third parties like prime brokers. They have to keep up with all of the local and new initiatives and products that are in the market. People actually listen to other people in an organization like ours, which is very, very important.”

Meager also said that if a junior person at GlobeOp had an idea, s/he could walk right up and tell him. “I sit on the floor with everyone,” he said. “I have an office, but I have a very open-door policy and I listen. That’s basically what we’re about—we listen.” The physical layout of the U.K. offices enabled such idea sharing, according to Meager. “I don’t like offices or pods. I like people to hear an atmosphere. I like people to see other people, so we have very few offices in the U.K.” The physical layout was open-planned so everyone could see everyone else.

Martineau also discussed the skill involved in recruiting the right kind of person in order to avoid turnover. He discussed finding people that had already answered “No” to the question, “Do I want to be a trader or not?” Beyond finding the right fit, Martineau commented that GlobeOp tried to recruit younger, well-educated people in order to train them, recognizing that they would remain with GlobeOp for two or three years. “Not everybody is going to stay with us, but it will be enough so that we can build our management bench,” said Martineau.

In the case of India, retention was not initially a problem, but became a problem as other large financial institutions began hiring in Mumbai too. Sankar said that hiring initially was “easy,” since GlobeOp was one of the first financial firms to expand to Mumbai on a larger scale. Many

people were interested in hedge funds and GlobeOp, but on the flip side, “no one knew anything about our processes so we had to have extensive training programs and we hired people based on potential versus experience.” GlobeOp also paid competitively in the 80th percentile, thus attracting even more interest initially.

However, beginning in 2005, companies such as Lehman Brothers had begun expanding into Mumbai. Such institutions had larger budgets and had mandates to staff thousands of jobs within months. Sankar said:

GlobeOp was a great hunting ground for them because there’s a small pool of trained people in Mumbai. What happened was that the banks were willing to pay a lot for that. So they would offer our people raises that were almost up to 100 percent raises to go join them. It’s very difficult to retain people when they’re given that and they’re young and money is important to them. I think that hurt us a little bit and attrition rates doubled. I think we’re still following the same mantra of hiring for potential and training them. But we just have to be cognizant of the fact that our attrition rates are going to be a little higher because our people are valuable to other firms. It’s a problem area that we have to address and we can’t just ignore that.

MEASURING PERFORMANCE ACROSS THE ORGANIZATION

Because of the company’s early issues with retention, GlobeOp “spotlights the retention data, because it is important to us,” said Barback, adding: “We also have a philosophy that if you can’t measure it, you can’t manage it.” GlobeOp monitored turnover across the company, by country, building, title, and department. Barback said: “While we look at departure rates, what we’re really thinking about is retention rates. The more senior you are, the more important it is. The longer your tenure, the more important it is. The higher your performance rating, the more important it is.” Despite GlobeOp’s turnover, the company’s average tenure continued to increase.

GlobeOp also had a working group, headed by CFO Martin Veilleux, focus on retention issues in 2006. As a result, GlobeOp introduced a human capital management system (GoHCM) designed to measure people’s performance more scientifically. GoHCM was an internal technology-based system that managed the company’s appraisal and compensation processes, using a scale from one to five, where five was the highest. Barback elaborated:

We also have bonus pools and the allocation of these monies is somewhat formulaic, based on tenure, performance, department, geography, etc. These factors lead to recommended pay increases and bonus increases [but our mid-level managers can override things if they have good reason to do so and we’ll bless it if it makes sense, but stop it if we think it is wrong]. None of this process really existed three years ago. The compensation and bonus process was all being done on a spreadsheet and it was quite hard because we didn’t have the framework. We wanted to make sure our managers, 250 people, are given the right amount of career progression. We also wanted to concentrate on those who scored fives,

fours, and threes—or the people we wanted to retain. We wanted to determine what training, feedback, compensation, and advice they needed. Just by talking to them more, we may have helped to improve our retention.

Barback also discussed how technology and systems such as GoCheck helped GlobeOp measure its own performance across the organization and for clients through real-time feedback. “We are as rigorous as we can be in terms of developing information that is meaningful and measurable. And we try, as much as we can, to build our systems in such a way that the information drops out of them automatically. We’re lucky because we don’t have a lot of legacy technology, whereas big, old companies have to employ whole staffs to gather information and massage spreadsheets, and then the data is wrong by the time you get it.” With GoCheck, GlobeOp employees could turn on their desktops and point and click, creating a report in real-time. Barback felt that GlobeOp had a much more comprehensive and real-time set of information about its services and how the company serviced its clients, as well as how its clients were doing, because the company’s employees were able to monitor clients on cancels and corrects and late trades versus its competition. “Prime brokers are beginning to tell us that,” said Barback.

In 2005 and 2006, GlobeOp also began implementing annual client surveys. Initially, client participation was “spotty,” according to Hufschmid. “If people were upset with us or unhappy with our service, they didn’t even bother.” That all began to change due to GlobeOp’s improvement of processes, and in 2007 GlobeOp had a 95 percent participation rate. Hufschmid said: “The clients actually started to take an interest and started to understand that working with us is a team effort and a partnership. The high participation rate also shows that clients began to see how things were improving.”

THE FUTURE

After nearly 10 years, GlobeOp had become a much different company than it was when a small group of Long-Term Capital Management employees met over a series of lunches at Katzenberg’s kosher deli in Greenwich, Connecticut in January 1999. Hufschmid reflected: “We’ve pulled away from the competition over the last three or four years. We have vastly superior technology and we have better processes. We are better structured. Our India operation is a very valuable asset. I’m sure if we wanted to sell the company, we could easily do that. But we’ve done the difficult work already, so now the goal is to leverage and harvest on what we’ve built.”

In terms of the future, Hufschmid felt that the sales and marketing activities of GlobeOp were the next area of focus and development. It was becoming increasingly important as the company grew, particularly with the unbundling of GlobeOp’s service offerings. “We are targeting client sectors where we do not have existing contacts, such as mutual funds and pension funds for example. These are not clients that we really know or that really know us yet.”

As part of its future strategy, GlobeOp planned to grow its sales team (the company had nine, compared to two when it first started). Despite the growth in headcount, Hufschmid felt that the function’s structure and strategic planning processes needed to evolve. “We have very good salespeople, so the focus is now more on strategic sales management,” he added.

With the public listing successfully completed, Hufschmid himself was getting more involved in sales, setting a personal goal of visiting each and every one of 390 hedge funds that had \$1 billion assets under management or more. “We have to get the word out about what we’ve built at GlobeOp and how we’ve built it. It’s a great story, and there are still people out there who don’t know how far our services have evolved and how much we’ve matured in the past five years. We are a much different company now and we need to be aggressive in making that known.”

Exhibit 1
Financial Summary

	2007	2006	Change
Total revenues	\$166.0 mm	\$135.1 mm	+23%
Middle- and Back-Office Revenues	\$154.8 mm	\$125.6 mm	+23%
Risk Reporting Revenues	\$8.7 mm	\$9.1 mm	-5%
Transaction Solutions Revenues	\$2.5 mm	\$.31 mm	+726%
Operating profit	\$16.0 mm	\$15.5 mm	+3%
Profit before tax	\$15.1 mm	\$12.6 MM	+20%
Earnings per share - diluted	\$0.08	\$0.10	-20%
Adjusted operating profit	\$39.4 mm	\$28.4 mm	+38%
Adjusted operating profit as a percentage of revenues	23.7%	21.0%	
Profit before tax and exceptionals	13.0%	9.5%	

Source: GlobeOp Annual Report 2007, p. 1.

Exhibit 2 Products and Services

SUMMARY

We offer our clients a wide spectrum of specialized, integrated web-based financial products supporting middle- and back-office trade processing, fund administration, complex derivatives and risk reporting. We believe these services allow clients to manage their funds in a professional, efficient and reliable manner, and that our scalability enables them to market new funds or trading strategies faster.

MIDDLE- AND BACK-OFFICE, FUND ADMINISTRATION (MBA)

MBA services interact with those services primarily provided by prime brokers to facilitate trade processing and related trade data acquisition and processing for clients. We support many post-trade activities, from trade entry through accounting on a highly automated basis. Due to our scale, technology and expertise, we believe that GlobeOp is able to provide faster, more reliable and less expensive MBA services than most hedge fund managers could do on their own. In 2007, 93% of GlobeOp revenues were generated from MBA services.

Middle- and Back-Office Services

- Daily reconciliation
- Daily portfolio P&L statements
- Data aggregation & pricing
- Exposure calculations & reports
- OTC processing
- Real-time analytics
- Security master processing – monitoring & maintenance
- Trade capture

Fund Administration

- Fund valuation
- Investor communications, fund performance reporting
- Pricing & net asset value (NAV) calculation
- Share registry & transfer services
- Audit support

TRANSACTION SOLUTIONS

Transaction Solutions, such as GoOTC™ and GoMarkets™, are driving new business opportunities that target an emerging client base consisting of traditional asset managers, long/short equity funds, mutual funds, regional and custodial banking institutions, pension funds and insurance companies. We increasingly charge clients for certain of these services on a per trade or other fee arrangement.

Product Description

1. GoOTC—Stand-alone outsource package for over-the-counter (OTC) derivative trade processing

- Trade capture
- Reconciliation
- Confirmation
- Documentation & collateral management
- Settlement
- Valuation
- P&L reporting and risk data

GlobeOp currently processes more than 60 distinct derivative instruments.

2. GoMarkets—A multi-asset electronic trading and connectivity platform

- GoClear™ – access to direct trading on electronic futures exchanges
- GoMoney™ – electronic cash investment
- GoQuote™ – front office tool that filters and aggregates daily price feeds

RISK ANALYSIS & REPORTING

Risk Reporting services include position and exposure reporting, pre-trade scenario analysis and stress tests, and Value at Risk (VAR) calculations.

Product

1. GoRisk™ Reports

Description

Customizable trading & risk reporting, position and exposure reports, pre-trade scenario analysis and stress tests, VAR calculations.

2. GoRisk Interactive

Interactive, multi-asset classes, trading & risk analytics. Real-time position, exposure & risk analytics.

Source: GlobeOp Annual Report 2007, p. 3.

Exhibit 3

Management Committee Bios

Hans Hufschmid

Chief Executive Officer, London

Hans Hufschmid, chief executive officer of GlobeOp, is based at the company's London office. Prior to becoming a founding partner in GlobeOp in 2000, Hufschmid was a principal at Long-Term Capital Management (LTCM) and co-head of its London office for five years, supervising traders, researchers, programmers and administration personnel. He also served on LTCM's risk management and management committees.

Martin Veilleux

Chief Financial Officer, New York

Martin Veilleux, chief financial officer of GlobeOp Financial Services, is based at the company's New York office. Veilleux brings 20 years of financial management expertise in high-tech and service industries to GlobeOp. His experience includes companies with leading-edge, scalable technology products focused on business process outsourcing and operating cost reduction. Prior to joining GlobeOp he served as chief financial officer, treasurer & corporate secretary at NaviSys, Inc.

Vernon Barback

President, Chief Operating Officer, New York

Vernon Barback, president and chief operating officer of GlobeOp Financial Services is based at the company's New York office. Prior to joining GlobeOp, Barback was Global Head of Operations and Technology at Citigroup Asset Management, responsible for increasing assets under management, improving operations, the rollout of new products, and the advancement of technology. He began his tenure at Citigroup Asset Management as Head of European Operations.

Andrea Dulberg

General Counsel, New York

Andrea Dulberg, general counsel for GlobeOp Financial Services is based at the company's Harrison, NY office. Dulberg has served as a securities, corporate governance and compliance counselor for more than 20 years, most recently as chief counsel at International Paper Company, where her responsibilities included all SEC reporting, and advising the board of directors on corporate governance and compliance matters. Prior to that, Dulberg worked in a variety of positions of increasing responsibility at Merrill Lynch & Co., Inc., including corporate secretary and roles in global debt origination, asset-based financing and acquisitions and divestitures. From 1987 to 1992, Dulberg served as vice president and senior counsel at Citigroup, overseeing the legal aspects of Citigroup's asset securitization, debt and equity offerings.

Ron Tannenbaum*Head of Marketing, London*

Ron Tannenbaum, head of sales and marketing for GlobeOp Financial Services, is based at the London office and was a board director since GlobeOp's formation in 2000 until May 2007. Prior to becoming a founding partner he served as managing director and global head of hedge fund coverage at Rabobank International in London (1998-1999), and at Union Bank of Switzerland (UBS) in London from 1991 to 1998.

Alison Gregory*Head of Enterprise Risk Management, New York*

Alison Gregory, Head of Enterprise Risk Management, is principally based at GlobeOp's Harrison, NY office. Prior to joining GlobeOp, where she initially served as the company's general counsel, she served as deputy general counsel at Long-Term Capital Management (LTCM) and JWM Partners.

Ira Rosenblum*Head of Client Relationship Management, New York*

Based in New York, Ira Rosenblum is head of client relationship management and a board director since GlobeOp's formation in 2000 until May 2007. Prior to becoming a founding partner in GlobeOp, he served as director of security operations and treasury management at Long-Term Capital Management (LTCM) from 1993 to 2000. His responsibilities included management of the company's operational infrastructure, treasury and relationships with clearing and prime brokers.

Didier Martineau**Head of Risk Reporting Services, London*

Didier Martineau, head of risk reporting services, is based at the company's London office. Prior to joining GlobeOp Martineau was working for Nomura International in London as co-head of a proprietary trading operation. A senior strategist at Long-Term Capital Management (LTCM) in London for five years, Martineau was responsible for various aspects of the risk management and modeling effort.

*NB: Didier Martineau resigned from GlobeOp near the end of 2008 to become CEO of a Hedge Fund.

Source: GlobeOp, <http://www.globeop.com/globeop/ab/leadership/managbios/>.

Exhibit 4 Vision and Strategy

GlobeOp's Vision

To be the recognized leader in technology-based business process outsourcing and analytics to hedge funds and other targeted sectors of the financial services industry.

Our Strategy

We will achieve our vision by anticipating and responding to client needs and by providing innovative, quality services and cost-effective access to high-capacity information technology systems that most clients would not otherwise have access to internally.

Competitive Strengths

GlobeOp's processing capability and comprehensive middle-back office and administrative services, together with sophisticated risk reporting services, differentiates us from other service providers in the sector. The following strengths offer clients a unique service capability and the long-term benefits of independence, scale and reduced infrastructure investment:

- Demonstrated expertise servicing clients with complex needs
- An integrated platform supporting a broad range of high-quality services
- Innovative and adaptive use of technology
- Cost-effective use of an established, scalable global network in three time zones
- Capacity to expand operations to meet client needs
- Independent services for hedge funds and their investors, free of proprietary trading or business-focus conflict
- Deep management knowledge of the hedge fund industry.

Source: GlobeOp, <http://www.globeop.com/globeop/ab/vs/>.

Exhibit 5

Values and Guiding Principles

Clients' Interest

The interests of our clients and their investors always come first. Dependability, timeliness, accuracy, confidentiality and responsiveness are the foundation of our success.

Professionalism

We take pride in our services. We offer professionalism and superior knowledge. We are willing to go the extra mile and we live by our work ethic.

Integrity

Honesty, trustworthiness and integrity are the common features in all of our work. Our reputation is paramount to us and to our clients. We will always comply with both the letter and spirit of the law, and we will always adhere to clear ethical standards.

Innovation

Creativity and imagination add value to our clients and will continue to define us as leaders in our field. While GlobeOp is grounded in fundamental disciplines, we continue to be open and flexible when new opportunities are offered by changing client needs.

Teamwork

We encourage and applaud teamwork as it creates a value far exceeding that of going it alone.

Technology

Technology is at the core of our business. We excel at integration and at leveraging technology to meet client needs. However, we also know that bits and bytes cannot replace a friendly handshake or a polite greeting.

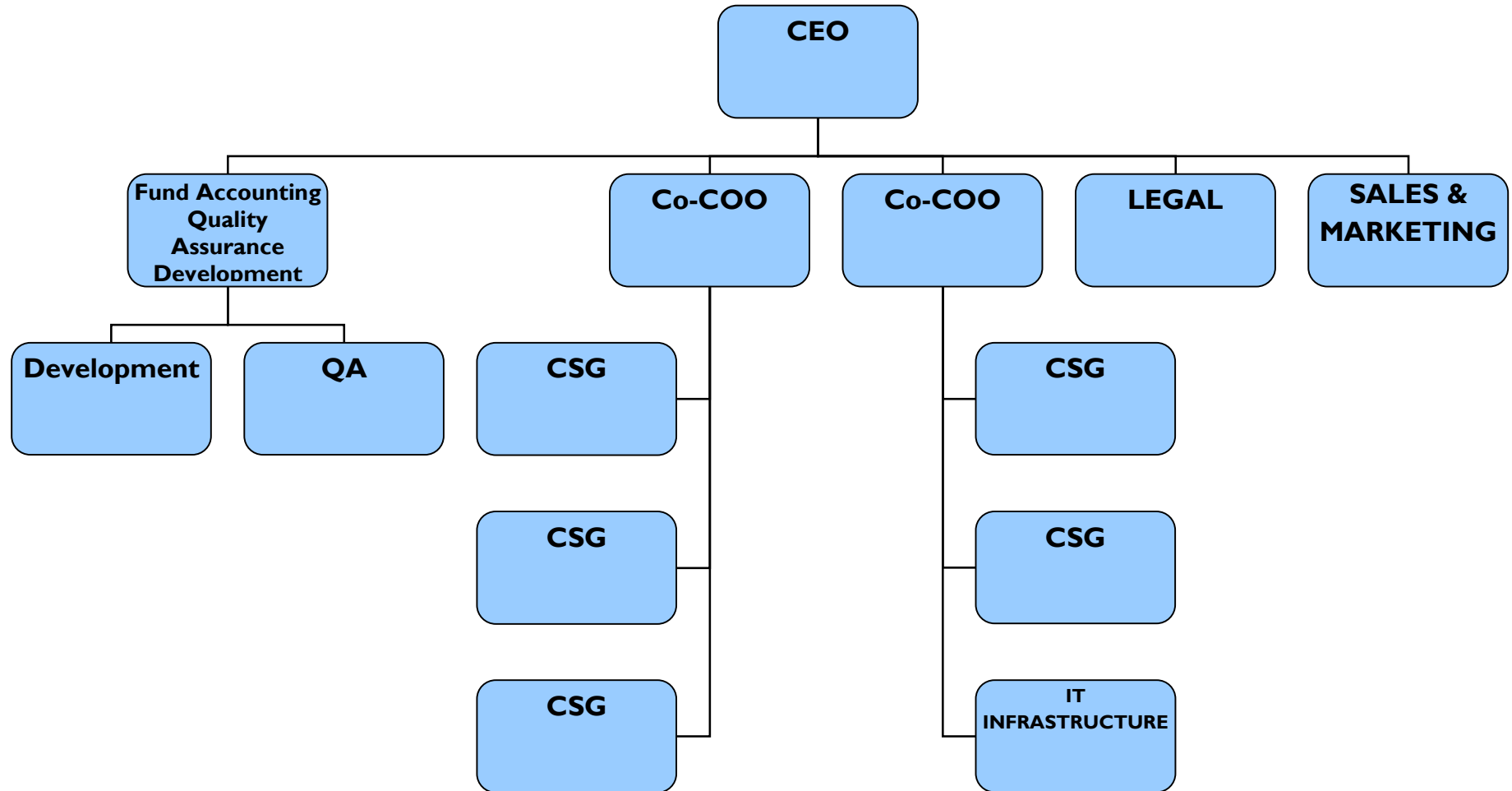
Career Progression

We encourage our staff to seek education and progression in their careers, and we aspire to offer them new opportunities. In a growing organization, there are many occasions for expanding individual careers. We encourage ourselves and our staff to grasp new challenges as we prepare for the future through training, experience and continued positive performance.

Source: GlobeOp, <http://www.globeop.com/globeop/ab/vgp/>.



**Exhibit 6
Organization Chart: 2003**



Victoria Chang, prepared this case under the supervision of Professor Glenn Carroll as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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Exhibit 7 Organization Chart: Matrix Model

