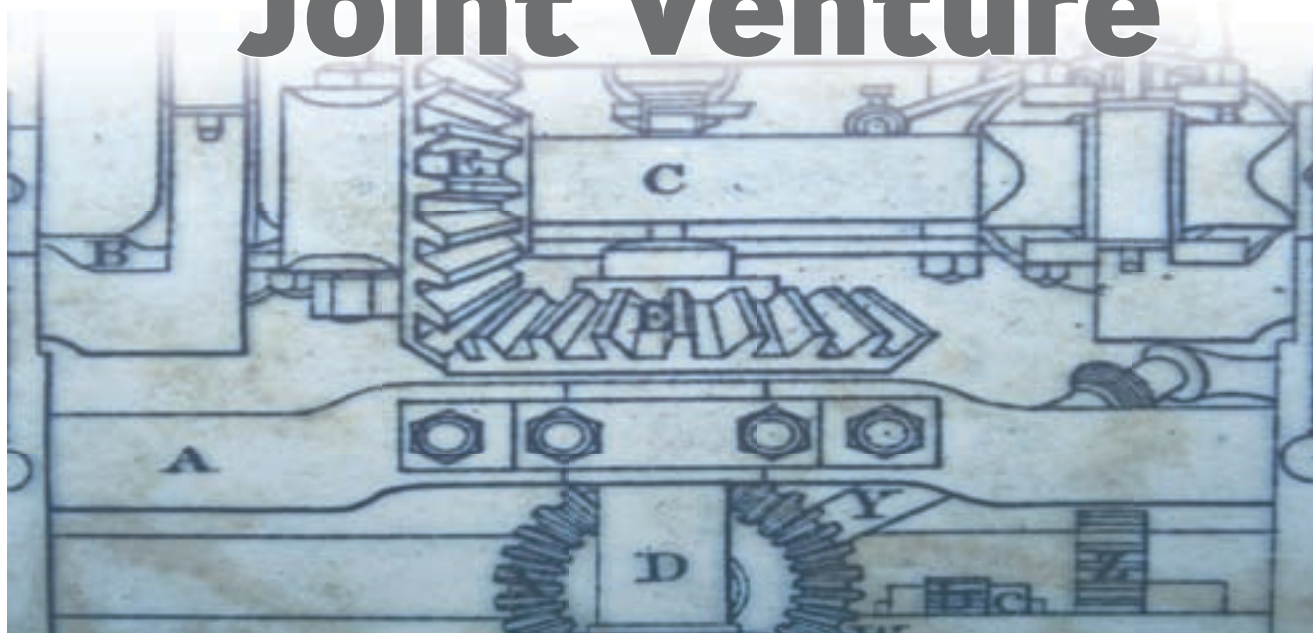


View from the Inside: **Anatomy of a Successful Joint Venture**



Well into the second year of its joint venture, RBC Dexia Investor Services has managed to impress both its clients and the marketplace. RBC Dexia's CEO, **José Placido**, shares his insights on the journey thus far and provides a glimpse into what the future might hold for the company's clients

Much attention is typically focused on a joint venture at the time of signature – when the photos are being taken and the champagne corks are flying. But the strategic goals are infrequently visited by financial commentators after the deal is in motion. The exception, of course, is when a joint venture actually fails, in which case it is sliced, diced and re-examined in excruciating detail in the media.

Indeed, the strength of a joint venture is typically measured in terms of improved shareholder value for the joint venture partners, potential economies of scale and cost savings from a provider standpoint.

These may or may not translate into improved service delivery for the customer. In short, the de facto benefits to the customer are often assumed, but rarely analysed.

Year One

"We were very pleased with the manner in which our first year unfolded," says Placido. "The first 12 months of our joint venture, which we celebrated in early January 2007, exceeded all expecta-



José Placido,
CEO, RBC Dexia Investor
Services

tions. And we set some very ambitious targets for ourselves.”

In fact, the company won a number of high profile mandates in a number of key markets around the world. Placido is quick to point out that much of that new business was not in the traditional custody arena, but rather in the area of outsourcing, as pension funds and money managers alike continue to cast off their core functions.

In September 2006, Manulife Financial chose RBC Dexia to be fund administrator for a CAD26 billion portfolio of funds. Two months later, CI Financial (another Canadian client) extended to 2011 an outsourcing relationship with RBC Dexia for CAD62 billion in assets. The company also signed an AUD8 billion fund administration deal with Goldman Sachs JBWere Asset Management in Australia, as well as a sizable fund administration and custody arrangement with Old Mutual Asset Managers in the UK.

Placido attributes these watermark wins to the increased speed, scope and capacity of the new, combined company. He also thinks this preliminary success is just the beginning. “The trend has started and is well in play. And we think that through the remainder of 2007 and 2008, we’ll see many more deals like this.”

“Our strategy for the first 12 months can be summed up in two words: integration and growth,” says Placido. “The integration of the two companies has gone exceedingly well. And in terms of growth, we have a long list of new clients around the world that have demonstrated their confidence in the value proposition our company offers. There’s more we want to do to further refine our operating model and leverage capabilities across all our markets – our commitment to continuous improvement and innovation is stronger than ever.”

The Rationale for a JV

One question José Placido fields quite regularly in his travels is, “So, why a joint venture?”

“It’s a valid question,” he says. “We were aware of the cautionary tales around joint ventures from the outset. But with two years of homework, due diligence and relationship

building under our belts, we knew it was the right decision for the future of our combined company.”

From a strategic standpoint, a joint venture can help create tremendous business advantages and power long-term corporate growth for its participants. In fact, a successful joint venture can offer the new entity a distinct competitive edge by delivering:

- Opportunities to enter new markets and distribution networks,
- The potential for increased capacity, and
- Access to specialised staff and technology.

An effectively-executed joint venture can also minimise the turmoil and disruption traditionally generated by mergers and acquisitions, which are often pursued as cost/synergy plays. Unless there is sufficient alignment between the two participants, their business models and their long-term objectives, however, a joint venture can quickly derail. “The deal has to be the right fit for both organisations,” says Placido. “When the two companies share a common vision and commitment – and when their businesses complement one another in a strategic fashion – a joint venture can be a very powerful structure.”

One of the reasons joint ventures are done so infrequently is that they are difficult to do right. Mergers and acquisitions, on the other hand, are more commonplace because it is easier to simply buy a company outright and enforce your rules, processes and culture upon them.

As for a joint venture, “It represents a truly collaborative business arrangement that, when done well, can generate tremendous opportunities for growth,” says Placido. “That said, there are several conditions that must be met in order for a joint venture to succeed. The ideal partner is one that has resources, skills and assets that complement your own. In our case, there was very little overlap between the two companies in terms of products, services and geographies. We were also fortunate in that we could leverage the superb brand recognition that our two parent companies enjoyed in their respective home markets of Canada and Luxembourg. At the end of the day, this joint venture allowed us to significantly increase our combined size, scope and capabilities.”

A Complex (but Worthwhile) Process

Partnering through a joint venture can be a complex process, however. It takes an investment in time and effort to cultivate the right relationship. Companies looking for quick fixes can easily crash upon the rocks. "If the long-term objectives of the joint venture are not clearly communicated to involved parties from the outset, there is a real potential for miscommunication," says Placido. "Likewise, significantly different cultures and management styles can have a negative impact on integration and co-operation and, therefore, the long-term odds of success."

clients recently voted RBC Dexia the best custody provider in the world for the third consecutive year in a major industry survey – a tremendous feat in a year of transition and integration."

The Way Forward

If RBC Dexia's first year was characterised by integration and growth, Placido says the next 18 months will be about taking the company's leadership position to new levels. "We will continue to broaden our product and service offering to corporate and institutional investors," he says. "We'll continue to introduce new ways to

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Even sceptical observers will tip their hats to the commendable job RBC Dexia has done integrating the two companies. A year ago, competitors were saying the company had bitten off more than it could chew – that bringing together their respective organisations would force them to take their eye off the ball – a potentially critical misstep in an industry where client service is king. But Placido says a great deal of preparation went into ensuring that the combined company would continue to run smoothly. "We were able to prove to our clients that while we were integrating two companies, we could still focus on keeping our eye on delivering the day-to-day service," he said. "In fact, our

help our clients operate more efficiently, enhance their revenues and help mitigate risks."

Sixteen months into RBC Dexia's new reality, Placido says the company has a number of reasons to remain optimistic about the future. "We are already seeing powerful proof that, together, we can achieve so much more than either company could have achieved on its own. We understand that the relationship might need to evolve as market conditions change. But, through the effective execution of this joint venture, I firmly believe that we have established the trust and infrastructure to position ourselves for continued, long-term success." ■

Bio note

José Placido is Chief Executive Officer of RBC Dexia Investor Services, which ranks among the world's top 10 global custodians and provides specialised investment administration solutions for institutional investors. With approximately US\$2.0 trillion in assets under administration, RBC Dexia Investor Services has offices in 15 countries around the world and a global custody network covering more than 80 markets.

Mr Placido began his career in institutional investor services when he joined Royal Trust Corporation of Canada in 1988. The company was later acquired by RBC, where he held several leadership positions. From 1996 to 1999, he was managing director of RBC Global Services' London office, becoming senior vice president in 2001 and later executive vice president in 2003.

A graduate of Montreal's McGill University, Mr Placido has close to two decades of experience in the financial services industry. He serves as chair for the Canadian Capital Markets Association (CCMA).