

## Interview

BY JOHN ADAMS

# A Trip Overseas is Virtually Inevitable for the Back Office

The cost savings demonstrated by offshoring will outweigh fallout over U.S. job losses, a pair of experts say

**The passing of the election hasn't cooled the debate over shipping jobs to overseas outposts like India, as Western companies weigh the promise of labor savings against the outcry from consumer groups and politicians.**

But most experts say execs can forget about a reversal of the offshoring trend—the clamoring of shareholders will always be louder than shouts of politicians and grass roots groups.

And as better training and new technology grow, more job categories are being moved outside of the U.S. Many of these jobs involve back office operations and other internal functions that are far less visible to an external audience than call center reps and other jobs that face a potentially resentful public.

Two executives at the center of the offshoring industry, Carreker CEO Denny Carreker, and Bob Olson, president of Carretek, Carreker's Indian offshoring subsidiary, say these advancements add up to possible savings of more than 50 percent of processing costs for functions performed in India. They contend that business executives, once confronted with the benefits of offshoring, will have almost no choice but to be-

come adopters.

**BTN: What kinds of technology do Carretek's services cover?**

Carreker: We focus on payment-related operations that leverage image technology. We understand what's involved in imaging, so it's natural for us to reach across to India. Our partner in India (Mastek) brings in the infrastructure and the people advantage, and we bring in the knowledge and the technology ability.

**How is the sophistication of the work that's being offshored changing?**

Carreker: Initially, we used payments technology that evolved into loan and mortgage processing. And we're adding additional functionality and plan on doing proof of deposits and more batch-oriented stuff. It can get very sophisticated in terms of the technology needed to pull it off.

**What has changed in terms of tech services offered to U.S. firms?**

Olson: If you looked at this industry a couple of years ago, when you said you were getting into offshoring, call centers were much more common. Then IT functions started moving.

**What kinds of jobs does that entail?**

Olson: It's generally operations that



**Denny Carreker**  
CEO  
Carreker



**Bob Olson**  
President  
Carretek

are centralized, mature and digitized. With our first clients (which Carreker would not identify), in the next six months we will have data entry, proof of deposit, exceptions and balancing.

**What determines what kind of job can be offshored?**

Olson: They are generally paper-intensive functions. ... They have some form of technology that provides the opportunity to provide a function that doesn't have to take place in the same location as where the transaction started.

**How many jobs get shipped in these departments?**

Olson: In some of these areas, if you

look at the offshorability, it can be as high as 70 percent of the staff in a department, and you can get a 30 to 50 percent save in labor costs, broken up into a direct labor arbitrage of 20 to 30 percent and overhead savings that could get you as high as 50 percent.

**How does offshoring the back office compare to offshoring customer service functions?**

Carreker: There are a lot of cultural issues that come into play, such as the customer from Texas who talks to someone who doesn't know where Texas is. That's when you start to get a backlash.

**Do you expect an "onshore" reversal of call center jobs in the financial sector?**

Carreker: Banks have largely been on the sideline watching the offshoring of customer service jobs. Some global banks have done it, but most U.S.-centered banks have refrained from offshoring customer service jobs and I doubt they will start.

**How is the quality of the work?**

Olson: Jack Welch has said that India's front office is (America's) back office. These are jobs that people in India aspire to. We had one client who visited us 18 months ago. We were walking by a proof operator, and he told me that in India that person would be an MBA graduate.

**What are some of the challenges?**

Olson: The client's data. Where do you maintain it and what do you do with it? There are privacy issues, latency, and the size of the pipeline. There is a delay between when the transaction occurs and when it's done, similar to a news report on CNN from a country far away. The anchor asks the question, then has to wait a few seconds for the reporter to get the question, then wait again for the answer. There are also regulatory issues. You want to make sure that (the Indian side) is operating on the same regs that we are under in the U.S. And there's also the political issue of moving jobs to India that may not play

well on Main Street.

**What do you tell people who voice opposition to American jobs being shipped overseas?**

Carreker: At the end of the day, you have to compete for shareholders and efficiency ratios and you certainly have to be sensitive to the local market. My sense is the banking industry is going to do nothing but get more competitive. And if you are going to be competitive, you are going to have to take advantage of cost saving strategies. While I understand the concern over offshoring U.S. jobs, in the long term that opposition is not a good position to take.

Olson: As your strategic alternatives narrow, you're ability to accept change goes up. For example, it's not a question of whether retailers will buy products from China; it's a matter of they either will or they will go out of business. It's not an if question, it's a when question. ■