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Wachovia expanding job flow to India

Bank announces 7-year deal to send processing, back-office work overseas

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In its latest outsourcing effort, Wachovia Corp. said Wednesday it has signed a seven-year agreement to send back-office and processing work to an India-based firm.

The Charlotte-based bank is evaluating what functions to send to Genpact over the next few months and likely will start sending work overseas in May or June, said Peter Sidebottom, director of corporate development and strategic initiatives. Wachovia is looking at processes across the entire bank, he said.

The move is part of an effort to save \$1 billion in annual expenses by 2007 that the company has said will cost up to 4,000 jobs. The company would not say how many jobs would be lost to Genpact, but workers will be allowed to apply for other positions in the company or receive severance.

Wachovia, the nation's No. 4 bank by assets, has about 96,000 employees, about 19,000 in Charlotte. The company hasn't said how many jobs here will be lost to outsourcing, but the headquarters includes many technology and back-office tasks that can be done overseas.

Genpact, based in the Delhi area, performs work such as accounting and bookkeeping, buying and tracking supplies and streamlining internal systems. Tasks Genpact has performed for clients include reviewing and approving credit card applications, preparing financial reports for regulators, and crunching numbers to answer questions such as, "How much should we charge customers for this product?"

Wachovia expects to save money by using the firm's lower-cost Indian labor and to improve processes by tapping a work force trained in Six Sigma, a productivity and quality-control program used by companies such as General Electric Co. and Bank of America Corp., Sidebottom said.

"It's an extension of our operating capability," he said. "We look at it as an additional tool in our organization."

Offshoring, however, is causing angst among employees at banks and other U.S. corporations. Opponents says companies are erasing white-collar jobs and threatening the job prospects of future generations.

Wachovia trailed other companies such as Charlotte's Bank of America in sending work to India, but has stepped up its efforts this year. This summer, the bank said it would send software programming tasks to three Indian companies.

Wachovia Chairman Ken Thompson visited India last month, including a stop at Genpact, and has recently embraced outsourcing as part of a rapidly globalizing economy. Sidebottom said Wednesday that outsourcing will be part of a reshaping of the company's work force.

Employees in the U.S. will increasingly be in jobs that focus on interacting with customers, he said, while "lower-cost work would be done elsewhere." By lowering costs and improving processes, the company could gain market share and grow in the U.S., he added.

Outsourcing in the financial services industry is expected to keep growing. In a study published last month by consultant Deloitte Touche Tohmatsu, financial services executives estimated that 20 percent of their total cost base will be moved offshore by 2010, up from 10 percent expected in 2006.

As the nation's No. 2 banking center behind New York, Charlotte is particularly vulnerable to this shift. Wachovia and Bank of America both have a high concentration of their back-office and technology jobs in their headquarters city.

Sidebottom said the Genpact deal should not "disproportionately impact" any of the cities where Wachovia operates. He said the company has told employees about the agreement over the past four or five days and is committed to keeping them informed.

As part of Wachovia's "deliberate and thoughtful" analysis of outsourcing, Wachovia has been talking to Genpact for about a year, Sidebottom said. Talks stepped up this summer and due diligence was conducted in the past three months.

Wachovia liked the company because it also has operations in China and Eastern Europe, he said. As Wachovia looks to expand globally, Genpact could handle Wachovia work in those regions and give it diverse backup locations.

Under the agreement, Genpact will conduct work for Wachovia on dedicated floors of its buildings. Later, entire buildings could be reserved for the bank's work.

Indian workers will follow Wachovia's strict security standards and will not have access to complete customer records such as Social Security numbers, spokeswoman Christy Phillips said. The company is not initially looking at outsourcing any functions that interact with customers, such as call centers, she said.

Financial terms of the agreement were not disclosed.

Wachovia has followed the pattern of companies such as Bank of America that have initially outsourced technology work, followed by more business processes. "We will continue to evaluate opportunities," Sidebottom said.

Outsourcing at Wachovia

- **June:** Says it will shift some technology work to three companies in India.
- **August:** Says it will outsource functions such as payroll to Chicago-area-based Hewitt Associates.
- **Wednesday:** Announces seven-year agreement to outsource back-office functions to India-based Genpact.

What is Genpact?

Genpact is a new name for a famous company.

The business, then called GECIS, began in a New Delhi suburb in 1997 as a back office for General Electric Co., one of the first such offices in India.

Other companies soon followed GE to the subcontinent, drawn by the availability of cheap workers who spoke English, and a phenomenon was underway.

Last year, GE sold 60 percent of the unit to a pair of venture capital firms, spinning off the business so it could pursue other clients. Renamed Genpact, it announced plans to double revenues to \$1 billion by 2008, and to increase employment to 30,000 from 19,000. The company now has offices in China and Eastern Europe.

GE remains by far Genpact's largest client, but the company says it has signed contracts worth \$160 million with about 20 other companies in the last year. Declared clients include Nissan Motor Co.

Most of the company's work is invisible to American customers. Employees handle internal tasks such as bookkeeping, ordering and tracking supplies, and providing information to workers.

Experts say the focus of Indian operations is beginning to shift from call centers to this type of work, known as business process services. Sector revenues are up from \$600 million in 1999 to \$5.1 billion last year.

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