

In times like these, outsourcing is in

Paul Smith

Increased cost pressures in the financial services sector are likely to lead to a further step-up in outsourcing of back office services and business processes, according to a Citigroup research note, which looks particularly at the big four banks, Perpetual and Suncorp.

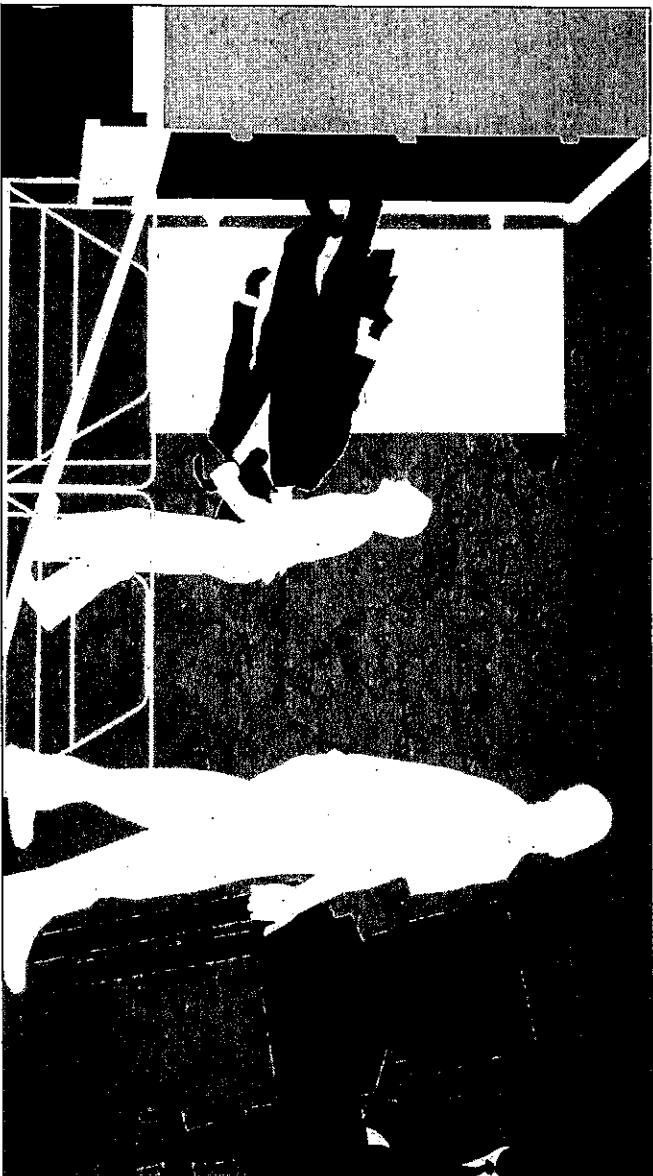
The note, based largely on views expressed by Sydney-based outsourcing expert Sri Annaswamy, identifies a number of catalysts for higher levels of outsourcing across the sector, including productivity drives in the major banks, senior executive changes and post-merger and acquisition organisational restructures.

Mr Annaswamy, founder and director of Swamy & Associates said in the report that it often took a sense of organisational urgency, typically driven by poor historical performance, to drive a switch in philosophy towards outsourcing and going offshore. He cited Suncorp and Perpetual as examples, with both having recently adopted new offshore initiatives.

Looking at the big four banks, the report suggested that difficult experiences with EDS (now HP Enterprise Services) meant there was still a level of reluctance among Commonwealth Bank top brass to adopt greater levels of outsourcing.

However the recent ascendancy of Ian Narev to the chief executive's office was noted as a potential spark for the pursuit of opportunities for business process outsourcing (BPO) in its insurance arm Comminsure and its internal procurement division.

At National Australia Bank, greater outsourcing was predicted within MLC, particularly in relation



A sense of organisational urgency drives a switch towards outsourcing and sending offshore.

Illustration: KARL HILZINGER

to wrap platforms, whereas ANZ's greater use of offshore captive centres in Bangalore, Manila and Chengdu was deemed sub-optimal considering the economics of scale on offer from global technology suppliers.

Westpac recently announced "best sourcing" plans to give greater responsibility for technology delivery to a panel of external, largely Indian, suppliers.

However, the Citigroup report presented Mr Annaswamy's view that Westpac would be better served pursuing a broader outsourcing agenda.

Citigroup said it believed Westpac's recent executive restructuring and

adoption of a group services division, with John Arthur in a group chief operating officer role, might indicate further focus on outsourcing opportunities.

Mr Annaswamy told *The Australian Financial Review* that financial institutions, especially life insurers, wealth managers and investment banks, were being severely challenged by the current macro-economic environment, and were considering their plans as a result.

"In this macro-environment, they are having to redefine their outsourcing strategies from primitive cost-cutting BPO strategies towards capital

focused advanced BPO structures such as third-party administrators (TPAs), Mr Annaswamy said.

"These structures have successfully worked out in sectors of the global financial services market such as the life insurance and pensions market in the UK, where Diligent, owned by Tata Consultancy Services, and Liberta, owned by HCL, rank among the top five insurance TPAs in the UK market."

Mr Annaswamy expected these more advanced TPA structures to be implemented by several Australian life insurers and wealth managers in the near future.

AT&T merger in jeopardy

AT&T's proposed \$US39 billion purchase of T-Mobile USA may be close to failure after a federal judge agreed to put on hold a government challenge to the biggest merger announced this year. The judge granted a request from both sides to delay the anti-trust case, which was scheduled for trial on February 13. AT&T has until January 12 to file a report with the court explaining whether it still plans to try to buy T-Mobile. **Bloomberg**

Thai floods cost Intel

Intel has reduced its fourth-quarter revenue forecast by about \$US1 billion, saying a shortage of hard-disk drives is cutting customers' production of personal computers. The company said revenue would be about \$US13.7 billion, down from about \$US14.7 billion. Intel said customers were stockpiling fewer parts because output had been hurt by a shortage of disk drives caused by the recent flooding in Thailand's industrial areas. **Bloomberg**

Google inquiry delayed

European anti-trust regulators have suspended their investigation into Google's acquisition of Motorola Mobility, a maker of smartphones, until Google provides additional evidence in the case, the European Commission said. **The New York Times**

Huawei appoints CFO

Telecommunications firm Huawei Australia has appointed Luke Austin as chief financial officer. He was previously local CFO and operations director at Lenovo. Previous CFO Brian Hope has been promoted to a senior role in the Chinese company's global finance department in Shenzhen. **Paul Smith**

Cloud computing forces shifts in skills set

Brian Corrigan

Major changes in how organisations

aging large internal teams. Instead, managers were likely to need skills in consulting, information and analytics

with salaries above \$200,000 were also thin on the ground in 2011 as communication remained firm within

Not surprisingly, the banking and finance sector has continued to fuel the demand for skills on the

Attempts to get existing projects finished before the end of the year had accelerated demand for