

## News Release

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For Immediate Release

### **FINANCIAL SERVICES COMPANIES ADJUSTING GLOBALIZATION PLANS, SAY RESEARCHERS FROM THE CONFERENCE BOARD AND DUKE UNIVERSITY**

NEW YORK, May 28, 2010 – The push by financial services and insurance companies to establish new offshore operations leveled off in 2009. At the same time, firms seeking cost reductions show greater interest in contracting with large international service providers to benefit from their economies of scale and scope, rather than creating fully owned offshore subsidiaries.

These are among the findings of *Financial Services Offshoring: Moving Toward Fewer Captives and Global Cost Competitiveness* released today, which is based on the fifth annual study on offshoring trends by the Center for International Business Education and Research's (CIBER) Offshoring Research Network (ORN) at Duke University's Fuqua School of Business and The Conference Board. The study is part of a wider research project into the effects of offshoring trends on American competitiveness.

The report is based on a survey of companies across the United States, Europe, and Australia from 2007-2009. It measures the sentiments of business managers as economies recover from the effects of the global financial crisis and grapple with subsequent economic upheaval in Europe.

The research also shows 2009 was marked by increasing efforts of finance and insurance firms to monetize current captive operations (in which processes are performed by a fully owned

subsidiary in an offshore location). In addition, Latin America has emerged as a preferred location for offshoring contact centers and information technology functions.

“The global recession of the last two years seems to have slowed the creation of new offshore operations,” said Fuqua Professor of Strategy and International Business Arie Lewin. “But we can expect the companies to expand the existing offshore operations they established over the past decade. Nearly two-thirds of finance and insurance firms in our survey plan new offshoring initiatives within three years, an increase from 42 percent in the 2007/2008 survey.”

Although finance and insurance companies have faced a number of significant challenges in the past 24 months – from compliance with the Troubled Asset Relief Program (TARP) to geopolitical issues to the recession itself – the expansion of existing offshoring operations has increased, according to the report.

“Recent events have caused many firms to examine how and where their work is being done,” said Ton Heijmen, senior advisor at The Conference Board and one of the report's authors. “A client-facing bank teller in the United States does a significant amount of administrative work that could be shifted offshore, freeing the teller to concentrate on revenue-generating customer service tasks.”

India remains the primary destination for outsourcing/offshoring, but the country's market share of outsourcing has declined slightly in recent years due to higher wages for Indian workers with graduate and doctoral degrees, shortages in certain IT capabilities, and the increasing cost of renting office space. Time differences have also contributed to the shift toward offshoring locations such as Argentina and Costa Rica, which are only one to three time zones away from many U.S. business centers.

For companies considering offshore operations, second- and third-tier cities in the United States and abroad provide attractive alternatives, offering lower operating costs and reduced exposure to geopolitical unrest. Areas such as central North Carolina's Research Triangle Park (Raleigh/Durham/Chapel Hill) and Jacksonville, Florida, have seen significant interest as offshoring destinations.

Source: *Financial Services Offshoring: Moving Toward Fewer Captives and Global Cost Competitiveness*, Executive Action #323, The Conference Board

### **ABOUT DUKE CIBER**

Duke's Center for International Business Education and Research (CIBER) was established in 1992 by The Fuqua School of Business and has been directed by Professor Arie Y. Lewin since 1995. The Offshoring Research Network (ORN) was conceived as a multi-year initiative focused on understanding the relationship between offshoring and American competitiveness.

There are 33 CIBERs located throughout the US that are funded by the US Department of Education under Title VI through a competitive bid process. Duke CIBER collaborates with other CIBERs to carry out projects, and engages in outreach activities with other centers and departments at Duke as well as other colleges and universities, businesses and communities.

To learn more about Duke CIBER, visit <http://faculty.fuqua.duke.edu/ciber/site2006/>.

### **ABOUT DUKE OFFSHORING RESEARCH NETWORK (ORN)**

The global Offshoring Research Network was established at Duke University's Fuqua School of Business in 2004. ORN is a network of research partner universities, scholars and practitioners and has become the most recognized international research network tracking the globalization of services over time.

### **ABOUT THE CONFERENCE BOARD**

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