

Unit 7

Outsourcing

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Keynotes

Globalisation is forcing businesses to make **cost savings** by reducing **operating costs**. One way to do this is by **outsourcing** – transferring **business processes** such as order processing or **call centre** management to outside suppliers and **service providers**. **Offshoring** is a new form of outsourcing where businesses relocate **back-office** operations in overseas **facilities** where **labour costs** are lower.

Preview Outsourcing

Many companies are now setting up facilities in countries that can provide services at a far lower cost. What do you think the advantages and risks are of going offshore?

Listening 1

Now listen to Lincoln Allenson, the director of an offshoring consultancy, and compare your answers. Listen again and make notes on the following.

- 1 the types of work that can easily transfer overseas
- 2 factors affecting the choice of location
- 3 the risks of outsourcing abroad

Speaking

1 Complete the table with the following countries.

India Philippines Ireland USA

	1	2	3	4
Country	_____	_____	_____	_____
Average annual salary of programmer (US \$)	70,000	29,000	10,000	6,500
Total workforce	140m	1.8m	439m	32m
No of university graduates (per year)	1.2m	30,000	700,000	380,000

2 How do you think these figures could influence companies considering outsourcing part of their operations?

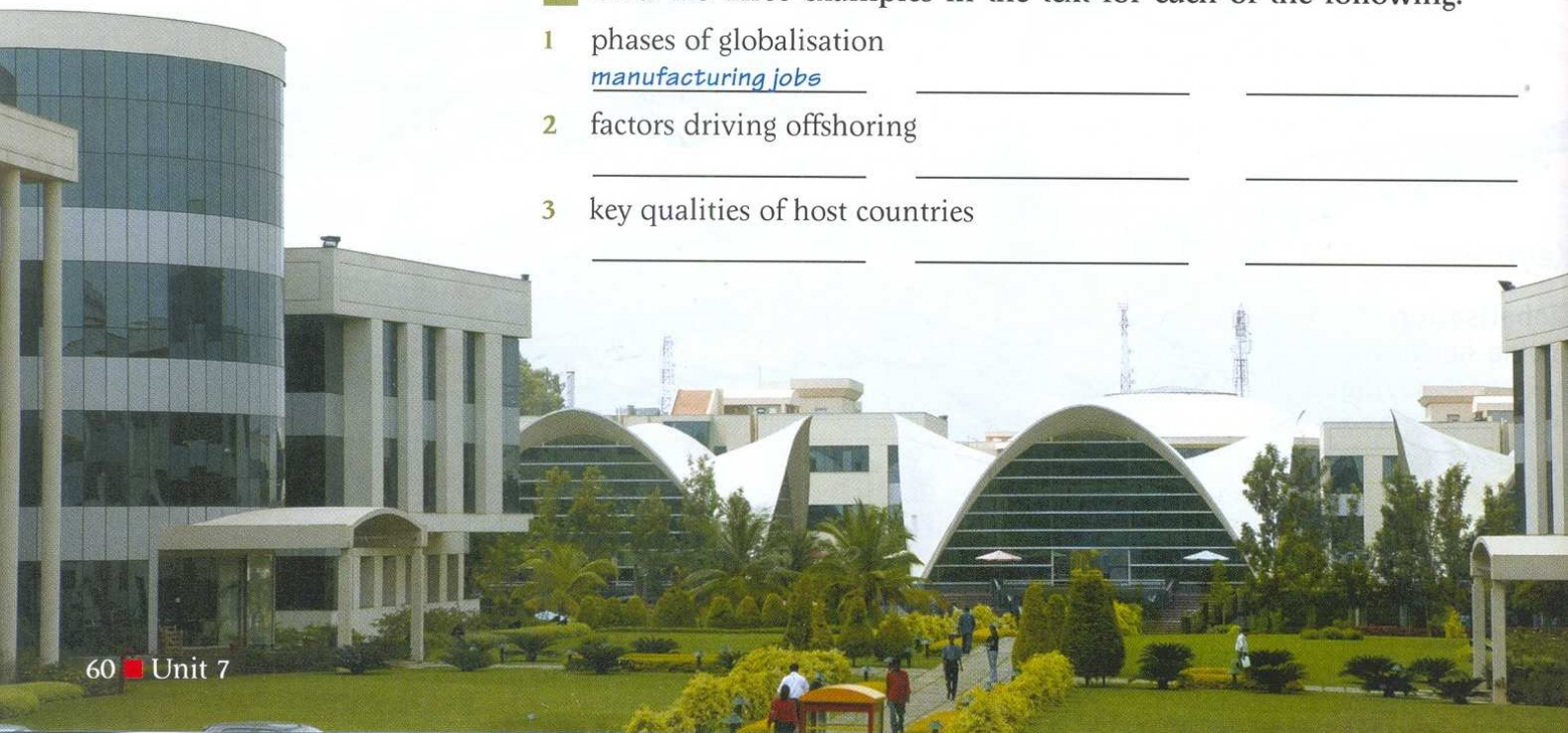
Reading Going offshore

1 Read the text on the opposite page. What would be the advantages of offshoring for the following?

US companies Indian companies US workers US consumers

2 Find the three examples in the text for each of the following.

- 1 phases of globalisation
manufacturing jobs _____ _____
- 2 factors driving offshoring
_____ _____ _____
- 3 key qualities of host countries
_____ _____ _____



The new global shift

The next round of globalization is under way. Who will the big winners be?

The handwriting is on the wall,' writes an IT specialist at the Bank of America. Until recently the bank needed talent so badly it had to outbid rivals. But last fall, his entire 15-engineer team was told their jobs were redundant. Bank of America has already slashed 3,700 of its 25,000 technical and back-office jobs and more are to follow.

Corporate downsizings are nothing new. These layoffs, though, aren't just happening because demand has dried up; one-third of those jobs are headed to India, where work that costs \$100 an hour in the US gets done for \$20. At Infosys Technologies Ltd. in Bangalore, India, 250 engineers are developing computer applications for Bank of America. About 1,600km north, at Wipro Spectramind Ltd., 2,500 young college-educated men and women are checking accident reports for an insurance company and providing help-desk support for a big internet service provider – all at a cost up to 60% lower than in the USA.

It's globalization's next phase – and one of the biggest trends reshaping the global economy. The first phase started two decades ago with the transfer of manufacturing jobs to economically developing countries. After that, simple service work, like processing credit card receipts, and digital labor, like writing software code, began fleeing high-cost countries.

Now, all kinds of knowledge work can be done almost anywhere. The driving forces are digitization, the internet, and high-speed data networks that circle the globe. By mining databases over the internet, offshore staff can check individuals' credit records, analyse corporate financial information, and search through oceans of economic statistics.

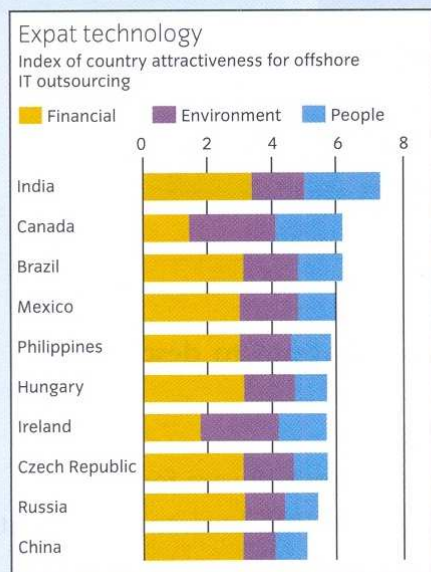
The impact of offshore hiring is hard to measure, since so far a tiny portion of US white-collar work has jumped overseas. Indeed, a case can be made that the US will see a net gain from this shift. In the 1990s, the USA had to import hundreds of thousands of immigrants to ease engineering short-

ages. Now, by sending routine service and engineering tasks to nations with a surplus of educated workers, the US labor force and capital can be redeployed to higher-value industries.

Globalization should also keep service prices in check, just as it did when manufacturing went offshore. Companies will be able to reduce overheads and improve efficiency. 'Our comparative advantage may shift to other fields,' says economist Robert Lipsey, 'and if productivity is high, then the US will maintain a high standard of living.' By encouraging economic development in nations such as India, meanwhile, US companies will have expanded foreign markets for their goods and services.

Outsourcing experts say the big job migration has only just begun. Frances Karamouzis, research director at Gartner Inc., expects 40% of the USA's top 1,000 companies to have an overseas pilot project under way within two years. The really big offshore push won't be until 2010 or so, she predicts. But if big layoffs result at home, corporations and the US government will face a backlash. Some states are already pushing for legislation to stop public jobs from being transferred overseas and now the unions are moving into the fight to keep jobs at home.

The truth is, the rise of the global knowledge industry is so recent that most economists haven't begun to understand the implications. For developing nations, the big beneficiaries will be those offering the speediest and cheapest telecom links, investor-friendly policies, and ample college graduates. In the West, it's far less clear who will be the big winners and losers. But we'll soon find out.



Glossary

layoffs redundancies

surplus too much / many

backlash strong negative reaction

AmE vs **BrE**

labor labour

center centre

fall autumn

hiring recruitment

transferred transferred

college university

Speaking Can you think of any companies in your country going offshore?

Vocabulary 1 Offshoring

Complete the wordmap with the following words and phrases.

credit records layoffs overheads high-speed data networks backlash
labour costs job creation foreign markets economic development
investor-friendly efficiency corporate financial information
internet databases demand cheap telecoms



Vocabulary 2 Collocations

Which expressions are used in the text on page 61 to describe the following types of work?

	verb	noun	
1	<i>develop</i>	<i>computer applications</i>	adapt software for new uses
2	_____	_____	deal with insurance payments
3	_____	_____	give customers assistance
4	_____	_____	record bank transactions
5	_____	_____	write in computer language
6	_____	_____	exploit data stored electronically
7	_____	_____	evaluate company results

Speaking Are these tasks simple service work or knowledge work?



Conditionals 1 and 2

Look at the following conditional sentences and complete the explanations below.

Type 1: *If big layoffs result at home, the US government will face a backlash.*

Type 2: *If US salaries were lower, companies wouldn't transfer work overseas.*

unlikely to happen may possibly happen unreal modal
present tense past tense present tense would/could + verb

- In type 1 conditionals the *if*-clause refers to a situation that _____.
Type 1 conditionals are formed with *if* + _____* and the _____ or a _____ verb in the other half of the sentence.
- In type 2 conditionals the *if*-clause refers to a situation that is either _____ or _____. Type 2 conditionals are formed with *if* + _____ and _____ in the other half of the sentence.

*Although some modals are possible in an *if*-clause, do not use **will**.



For more information, see page 160.

Practice

1 Decide which of these things may happen or are unlikely to happen. Write complete sentences using the appropriate verb forms.

1 if we / reduce / labour costs / be / more efficient

If we reduce labour costs, we'll be more efficient. _____

We'll be more efficient if we reduce labour costs. _____

2 if I / have / bigger salary / be / more motivated

3 if I / speak Chinese / need / translator

4 if I / have enough money / retire now

5 if I / meet / objectives / get / bonus

6 if I / see supervisor / I ask her a day off

7 if I / have / phone number / call / him

8 if I / work / this weekend / get / overtime

Speaking

2 Work in pairs. Find out what your partner would do in three of the following situations. Then answer your partner's questions.

1 your company asks you to work abroad for six months

2 you find out a colleague is selling copies of company software

3 you find out that you are being paid less than your colleagues

4 you realise that your credit card is missing

5 a colleague is criticising the quality of your work

6 your company asks you to go on a six-week intensive Chinese course



Régis Sultan

1 Régis Sultan is a French computer engineer working in India. Listen to him talk about his job and choose the best option for questions 1–6.

- 1 Régis is working in a
 - a research centre.
 - b customer support service.
 - c production department.
- 2 It is difficult to recruit locally because there are
 - a not enough technically-qualified people.
 - b too many similar companies in the area.
 - c few candidates with good language skills.
- 3 How many hours a day does he work?
 - a six
 - b eight
 - c ten
- 4 When did he attend training courses?
 - a every evening
 - b at weekends
 - c every morning
- 5 Régis describes his colleagues as mostly
 - a male and female language graduates.
 - b men from non-technical professions.
 - c untrained female university graduates.
- 6 Where is he living?
 - a with an Indian family
 - b in a local hotel
 - c in a rented apartment

Speaking

2 In the second part of the interview Régis talks about offshoring. What does he say about the following things?

- 1 why it is happening
- 2 the jobs offshoring creates
- 3 the future for Indian companies

Would you be interested in working in India? What terms and conditions would make you accept a job there?

Career skills



Making and responding to suggestions

Choosing the right way to phrase suggestions depends on the context of the conversation. Being able to give an opinion about the best course of action or to advise someone about what you think they should do means using the appropriate language. You can do this by using the following phrases.

- | | |
|-----------------------------------------|----------------------------------------|
| <i>How/What about ... ?</i> | <i>OK, let's do / try that.</i> |
| <i>Couldn't you / we ... ?</i> | <i>Sounds good to me.</i> |
| <i>Why don't you ... ?</i> | <i>But what if ...?</i> |
| <i>If I were you ...</i> | <i>The only thing / problem is ...</i> |
| <i>I suggest / think you should ...</i> | <i>It's a good idea, but ...</i> |
| <i>It might be better to ...</i> | <i>You're right.</i> |

Listening 3

1 Listen to six short dialogues in which people make suggestions. Match the dialogues with the topics a-f.

	phrases	responses
a <input type="checkbox"/> being late for work	_____	_____
b <input type="checkbox"/> work scheduling	_____	_____
c <input checked="" type="checkbox"/> a job interview	<i>Well, if I were you ...</i>	<i>But what if ...?</i>
d <input type="checkbox"/> choosing a venue	_____	_____
e <input type="checkbox"/> performance	_____	_____
f <input type="checkbox"/> the agenda	_____	_____

2 Listen again. Which phrases do the speakers use to make and respond to suggestions?

Speaking

Work in pairs. Think of a difficult situation that you have had to face recently. Explain the problem to your partner and ask them to make suggestions about what to do.



Culture at work

Decision-making

In some cultures senior managers make decisions and others carry out their instructions. In other cultures decisions are made by consensus after everyone contributes suggestions and opinions. What is common in your country? How might this difference cause misunderstanding in multicultural teams?

Dilemma: Going offshore

Brief

InterState, Inc. is a New York based company specialised in providing domestic insurance for private individuals and small corporations. InterState is currently considering outsourcing all or part of its 150-person call centre to an overseas location in order to reduce its operating costs. The call centre currently processes calls from both insurance agents and enquiries from members of the public within the USA. Several groups of managers have been asked to research different host countries in order to evaluate their potential to host a pilot project which should be operational within the next six months. If successful, the centre would take over full responsibility for all call centre operations within twelve months. The management teams will be meeting later in the day to present their recommendations. The following countries have been selected as potential hosts.

Fact file	China	India	Philippines	Canada
Population	1,275m	1,009m	76m	31m
% under 15	25%	34%	38%	20%
% in tertiary education	6%	7%	28%	58%
GP per head	\$860	\$450	\$990	\$22,370
Cost of living (USA = 100)	96	39	42	73
Competitiveness (World rank)	31	42	40	8
Operating costs (Japan = 100)	9	8	n/a	46

Task 1

Work in groups. Read the fact file and compare the advantages and disadvantages of each country as a call centre location.

Task 2

Prepare the recommendations that your group will make at the meeting.

Task 3

Present your findings to the group. Listen to the presentations made by the other groups. Discuss the recommendations together and reach a final decision about where to host the pilot project.

Write it up

Write a formal report to the management board. Compare your own country with your chosen offshore location and recommend what action InterState should take. (See Style guide, page 28.)

Decision:

- Dilip Patel is an economic analyst at the Institute for Labour Studies in London. Listen to him talk about the InterState situation and find out what he would recommend.

Useful phrases

Why don't we ... ?
 I think we should ...
 It might be better if we ...
 I suggest we ...

