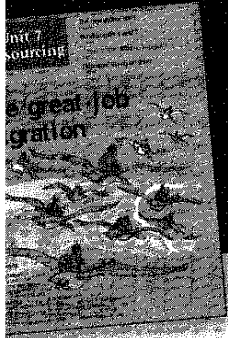


Unit 7

Outsourcing



Vocabulary: **Outsourcing**
Language: **Conditionals 1 and 2**
Career skills: **Making and responding to suggestions**
Writing: **Email requesting suggestions**

Vocabulary

1 Match the words with the definitions.

- | | |
|--------------------|--|
| 1 offshoring | a amount more than is needed |
| 2 call centre | b transfer of operations to lower cost countries |
| 3 surplus | c routine administrative tasks |
| 4 outsourcing | d regular costs of running a business (e.g. rent, heating) |
| 5 trade union | e amount which is not enough |
| 6 shortage | f central office dealing with large numbers of phone calls |
| 7 overheads | g buying from outside suppliers |
| 8 back-office jobs | h organisation that represents the interests of employees |

2 Complete the sentences with the correct options a-c.

- A local team should c complex customer service requests.
a track b contract c handle
- We can transfer Customer Service to outside service _____.
a providers b subsidiaries c workforces
- Businesses are trying to _____ savings through offshoring.
a do b make c take
- Simple work like _____ credit card receipts is often outsourced.
a dealing b processing c controlling
- You could _____ up a subsidiary in Eastern Europe.
a hang b put c set
- The trade unions are considering industrial _____.
a action b management c behaviour
- Will you _____ the pilot project for the offshore centre?
a overdo b overtake c oversee
- Offshoring will _____ to the improvement of company performance.
a supply b contribute c transfer
- How will _____ to sensitive areas of information be controlled?
a business b process c access
- We've had to make people redundant ito compete with a major _____.
a challenge b rival c competition

Reading

Read the article about offshoring in India. Use the headings to make notes about the two types of companies involved.

	companies based in higher cost countries	contractors based in lower cost countries
Companies involved in offshoring	Thames Water	Wipro
Potential benefits of offshoring to these companies	Can save 30-40%	Increase in turnover

The Economist

Business

A lift from India

How offshoring gives companies an advantage

ONE of the reasons why the trade-unionists of Amicus have nominated David Prosser (Chief Executive of life insurers Legal & General) Britain's best boss is that he has promised not to send jobs abroad. L&G's shareholders may be less happy: its rivals, and many other companies, are rushing to buy their service work offshore, to their competitive advantage.

Companies in India - by far the biggest supplier - think that business process outsourcing (BPO) may bring that country \$4 billion from abroad this year, a rise of more than 50%. Over half of that will be from America, but Britain's share will be at least one-tenth, the equivalent of some 20,000 lowish-paid jobs.

Just how much companies save by offshoring work will depend on how good they are at doing it. Stelios Haji-Ioannou says his easyGroup's hire-car arm actually makes money by outsourcing customer calls, since the customer pays 60p a minute, more than his firm pays the Indian call centre. But dealing with Bangalore is not like handling the call centre down the corridor, even if the Indians concerned are your own employees.

The more usual call centre client can look to save 30-40%. For more complex offshoring, a round figure might be 25-30%: a worthwhile saving if IT, as it well may, makes up a tenth of your overall costs. But calculations of savings are imprecise, because they do not come just from low Indian wages. Like any consultants, the three big Indian companies selling these services - Wipro, Tata Consultancy Services (TCS) and slightly smaller Infosys - are offering better solutions, not just cheapness.

These are big firms: when the figures are out, their combined 2003-04 turnover will be \$3.5 billion, a rise of one third. Their lists of British clients are long and well-known: Thames Water, United Utilities, Sainsbury, BT, BA, P&O, National Grid, Barclays, Prudential and others in finance, and many more. Wipro has worked for years with Thames Water; TCS is part of a consortium that has just signed up to sort out

Everyone's a winner	
Benefit per \$1 of US spending sent offshore, 2002 est	
United States	
Savings accruing to US investors/customers	0.68
Imports of US goods and services by providers in India	0.05
Transfer of profits by US-based providers in India back to US	0.04
Net direct benefit retained in US	0.67
Value from US labour re-employed	0.45-0.47
Potential net benefit to US	1.12-1.14
India	
Labour	0.10
Profits retained in India	0.10
Suppliers	0.09
Central government taxes	0.03
State government taxes	0.01
Net benefit to India	0.33

Source: McKinsey Global Institute

some National Health Service IT; Infosys is to help improve a BT system for getting its staff to the right place at the right time.

British firms are much keener on offshoring than are those in other EU countries. Although the Indian consultants have offices across Europe, TCS gets nearly 20% of its work from Britain, double what it gets from the rest of Europe put together. Wipro's trade is more balanced: 12% British, around 20% from other Europeans. (But Britain is only one-sixth of the west European economy!) These figures reflect India's historic relationship with the UK: English is widely spoken and the countries share Anglo-American traditions. However, continental countries are bound to catch up. German, Dutch and Belgian firms are looking offshore. Even Ireland, once a place to go offshore to, will become a country seeking to outsource overseas like its rivals.

2 Look at the article again. What do these numbers refer to?

- 1 \$4 billion *possible income for India this year from BPO*
- 2 50%
- 3 20,000
- 4 60p
- 5 30-40%
- 6 \$3.5 billion
- 7 12%
- 8 1/6

3 Look at the article again. Find words with similar meanings.

- 1 chosen *nominated*
- 2 competitor
- 3 overseas
- 4 increase
- 5 the same as
- 6 dealing with
- 7 inexact
- 8 answers
- 9 sales
- 10 business



4 Complete the table below with vocabulary about job cuts.

	adjective	verb	noun
1	<i>cut</i>	<i>cut</i>	cut
2	reduced		
3	lost		
4		make redundant	
5			layoff

5 Now complete the sentences.

- 1 Although offshoring creates jobs in countries with lower costs, it results in job cuts in countries with higher costs.
- 2 The Bank of America has experience of corporate downsizing. It has made 3,700 staff in technical and back-office jobs _____.
- 3 Companies should tell staff of plans resulting in _____.
- 4 Governments may face a backlash in countries where massive numbers of workers have been _____ off because of offshoring.
- 5 Unions are becoming more active to stop further job _____ in places where jobs have been transferred overseas.
- 6 In order _____ unemployment at home, some states want legislation against moving jobs overseas.

Language check

Look at the suggestions and conditional sentences. Find and correct the mistakes.

brainstorming

- 1 What about to ~~brainstorm~~ different ways of cutting costs?
- 2 If we would advertise more, we would be better known.
- 3 We would save money if we will move our back-office work overseas.
- 4 If I would be you, I'd identify the major cost areas.
- 5 We might be better off if we will consult with the unions.
- 6 If we will reduce overheads, we may reach our targets.
- 7 If we won't get more contracts, we have to take serious steps.
- 8 I suggest to employ consultants to help us decide what action to take.

Listening 1 710

1 A group of colleagues discuss outsourcing. Listen and answer the questions.

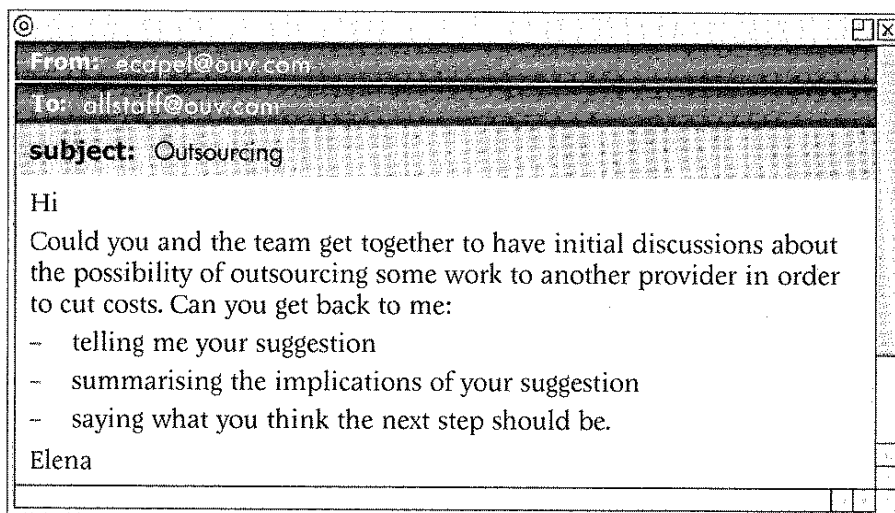
- 1 What business function do they want to outsource? *Customer Service*
- 2 What options do they discuss?
- 3 What do they decide to do?

2 Listen again and complete the speakers' suggestions.

- 1 I really think we should ... *outsource our Customer Service division.*
- 2 How about ...
- 3 One way would be to ...
- 4 What if we ...
- 5 Let's ...
- 6 I suggest ...
- 7 Couldn't we ...

Writing

Write an email in response to Elena. Use the information from the conversation above.



Then compare your answer with the suggested answer on page 93.