

# UNIT 7: OUTSOURCING



*Intelligent Business*  
Intermediate

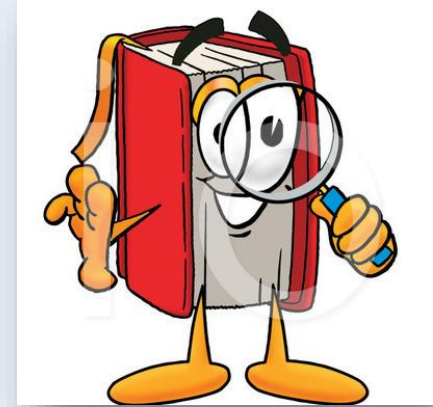
# Content

- Vocabulary: Outsourcing
- Article: “The new global shift”
- Grammar: Conditionals 1 and 2

# The great job migration

## Keynotes

- Globalise (v)
- Globalisation (n)
- cost savings (n)
- Reduce operating costs (v)
- **Outsource** (v): transfer business processes to outside suppliers or service providers
- **Offshore** (v): relocate(move) back-office operations in overseas facilities
- **Back-office operations**: the operations of a business company which does not deal directly with the public
- **Labour cost** (n)
- **Facilities** (n): buildings, services, equipment, etc.



# 7. OUTSOURCING



**The worldwide movement toward economic, financial, trade, and communications integration.**

# 7. OUTSOURCING



## **Globalisation**

**The worldwide movement toward economic, financial, trade, and communications integration.**

# 7. OUTSOURCING



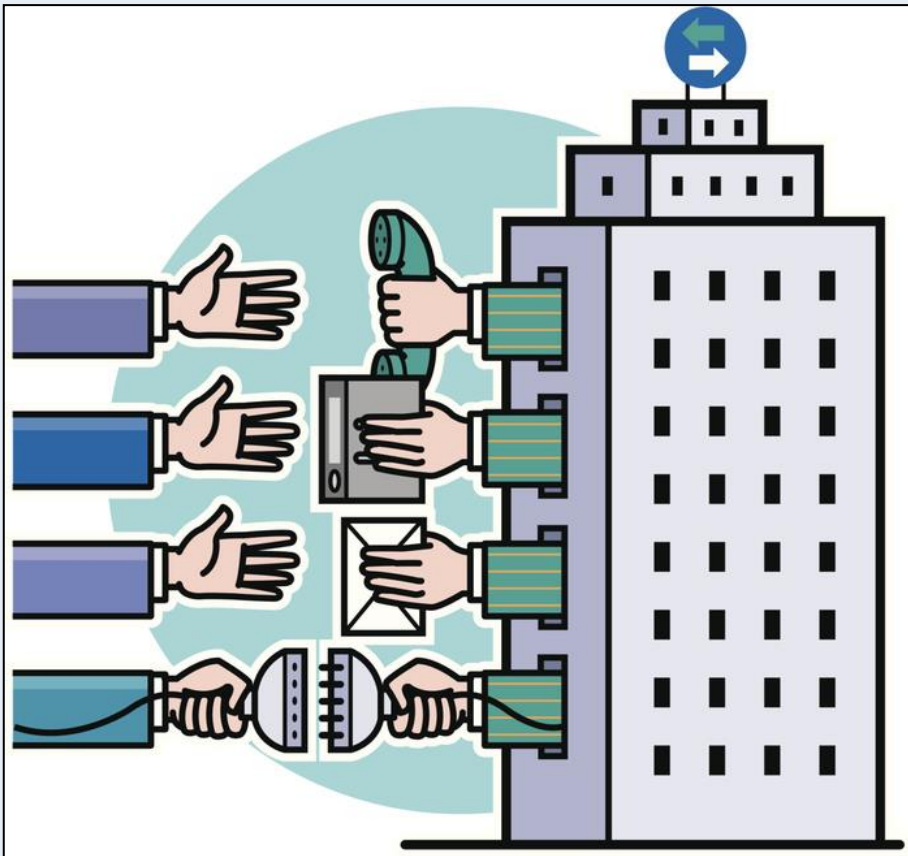
**a reduction in  
expenses,  
especially in  
business.**

# 7. OUTSOURCING



**Cost savings**  
a reduction in  
expenses,  
especially in  
business.

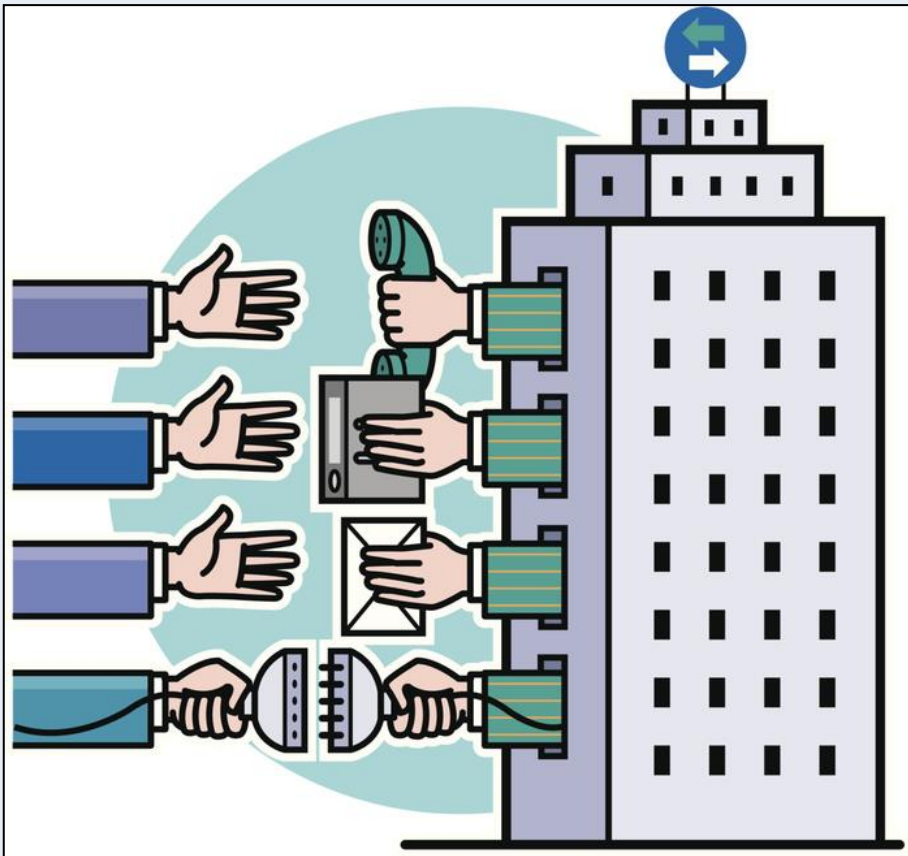
# 7. OUTSOURCING



**a situation in which a company employs another organization to do some of its work**



# 7. OUTSOURCING



**Outsourcing**  
a situation in  
which a company  
employs another  
organization to do  
some of its work

# 7. OUTSOURCING



**Transferring work  
to an outside  
supplier based in  
another country**

# 7. OUTSOURCING



## Offshoring

Transferring work  
to an outside  
supplier based in  
another country

# 7. OUTSOURCING



**The departments of a financial company where routine administrative tasks are done without direct contact with customers**

# 7. OUTSOURCING



## **Back office**

**The departments of a financial company where routine administrative tasks are done without direct contact with customers**

# 7. OUTSOURCING



**The cost of wages paid to workers during an accounting period on daily, weekly, monthly, or job basis**

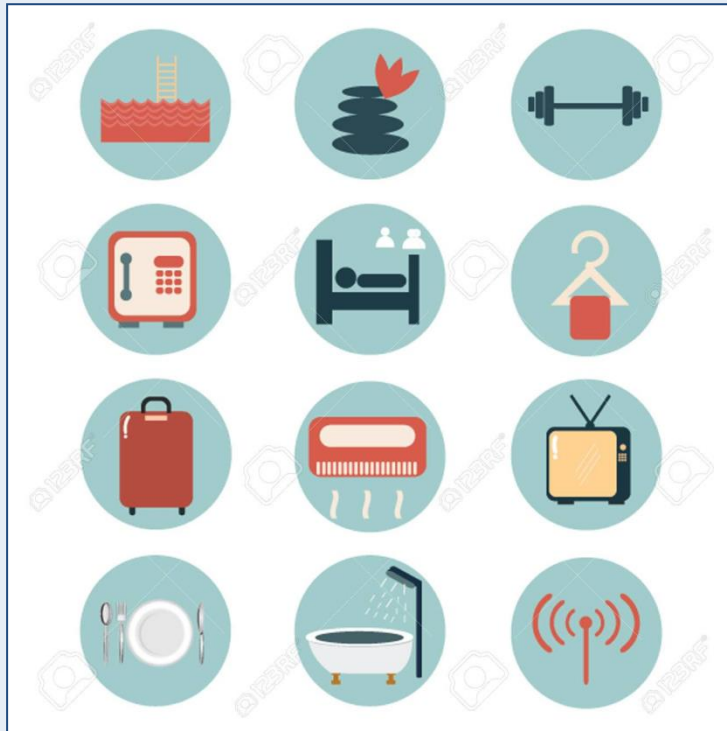
# 7. OUTSOURCING



## **Labour cost**

**The cost of wages paid to workers during an accounting period on daily, weekly, monthly, or job basis**

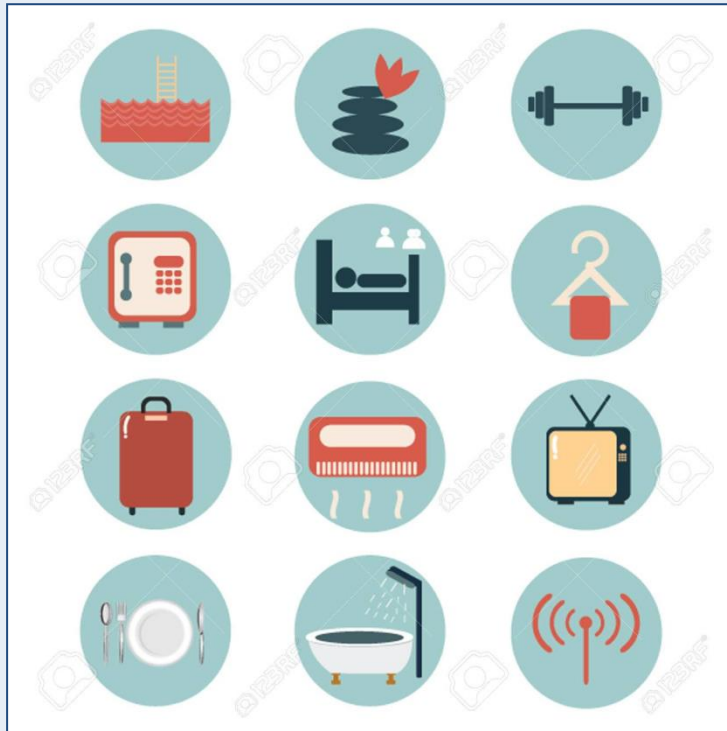
# 7. OUTSOURCING



**buildings, pieces  
of equipment, or  
services that are  
provided for a  
particular  
purpose**

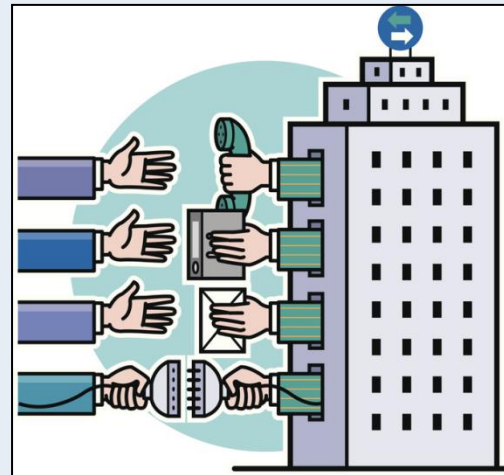


# 7. OUTSOURCING



## Facilities

buildings, pieces  
of equipment, or  
services that are  
provided for a  
particular  
purpose



# Outsourcing

- Takes place when business is contracted out to a third party
- When the third party is **overseas**, it is known as **offshoring**. This term is also used when a company moves one of its own activities abroad.

# Offshoring

- **Used for areas which do not require expert local knowledge, much face-to-face contact.**
- **Restricted to IT-related jobs, call centres and back-office work.**

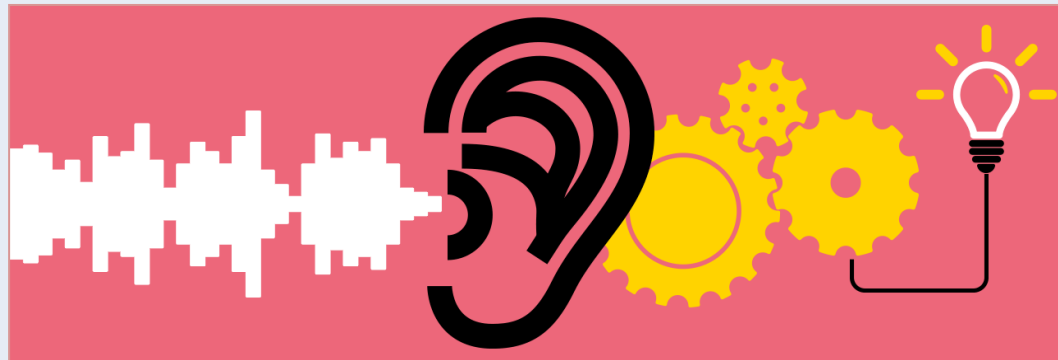
# Pros and cons of offshoring

Advantages	Disadvantages
<ul style="list-style-type: none"><li>- Save money: skilled workforce that costs less than at home.</li><li>- Access to wider range of workers than available locally</li><li>- Concentrate more on core business</li></ul>	<ul style="list-style-type: none"><li>- Different languages, cultures, time zones</li><li>- Lack of control over overseas agencies</li><li>- Loss of jobs at home and impact on remaining workforce.</li></ul>

# Listening 1- Outsourcing

Listen to Lincoln Allenson, the director of an offshoring consultancy, 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



# Listening 1- Outsourcing

- 1 work with no face-to-face contact and dependence on secure and reliable network connections, i.e. mainly IT, HR, R&D and back office work.
- 2 language, wage differential, level of risk
- 3 political instability, protection of assets and trade secrets



# Reading: Going offshore

## The new global shift

- **Outbid** (v) to offer more money to buy something
- **Rival** (n)
- **Redundant** (a)
- **Redundancy** (n): layoff
- **Slash** (v) reduce
- **Corporate downsizing** (n)
- **Phase** (n)
- **Reshape** (v)
- **Flee** (v) leave
- **Tiny** (a) very small
- **Surplus**: too much/ many
- **Redeploy** (v) move
- **Pilot project** (n) pioneer project
- **Backslash** (n) strong negative reaction
- **Ample** (a) enough



# Reading



## The new global shift

**The next round of globalisation is underway. 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.

# The new global shift



Corporate downsizings are nothing new. These layoffs, though, aren't 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.

# The new global shift

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.



# The new global shift

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 individual credit records, analyse corporate financial information, and search through oceans of economic statistics.

# The new global shift

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 shortages. 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.

# The new global shift

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.

# The new global shift

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 new global shift

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.



# Reading comprehension 1

**According to the text, what would be the advantages of offshoring for the following?**

- US companies**
- Indian companies**
- US workers**
- US consumers**

# Reading comprehension 1

According to the text, what would be the advantages of offshoring for the following?

**Advantages for US companies:** cheaper workforce, can reduce overheads, can improve efficiency, can expand foreign markets

**Advantages for Indian companies:** more work, increased profits, economic benefits for workers

**Advantages for US workers:** can be redeployed to higher-value industries, expanded foreign markets for US goods and services

**Advantages for US consumers:** prices are kept in check

# Reading comprehension 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

\_\_\_\_\_

- 1 Phases of globalisation:** manufacturing, simple service work, all kinds of knowledge work
- 2 Factors driving offshoring:** digitization, internet, high-speed data networks
- 3 Qualities of host countries:** speedy and cheap telecom links, investor-friendly policies, high numbers of college graduates

# 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

USA

---

---

India

---

---

**Information sources**

*databases* \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Impacts**

**Offshoring and the  
global economy**

**Technologies**

---

---

---

**Economic factors**

*demand* \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Performance/objectives**

improve \_\_\_\_\_  
reduce \_\_\_\_\_  
expand \_\_\_\_\_

# Vocabulary: offshoring

- **US:** layoffs, backlash
- **India:** job creation, economic development
- **Information sources:** credit records, corporate financial information
- **Technologies:** high-speed data networks, internet
- **Economic factors:** labor costs, cheap telecoms, investor-friendly
- **Performance / objectives:** improve efficiency, reduce overheads, expand foreign markets

# Vocabulary 2 – Collocations

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

	verb	noun	
1	<u>develop</u>	<u>computer applications</u>	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



# Collocations

1. Develop computer applications
2. Check accident reports
3. Provide help-desk support
4. Process credit card receipts
5. Write software code
6. Mine databases
7. Analyse corporate financial information

# Conditionals 1 and 2

Type 1	Type 2
<p data-bbox="112 611 794 765">- A situation that may possibly happen</p> <p data-bbox="112 968 523 1115">IF + present, future/modal</p>	<p data-bbox="981 611 1779 853">- A situation that is either unreal or unlikely to happen</p> <p data-bbox="981 968 1522 1115">IF + past simple, would/could verb</p>



# Practice

☞ 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

the MORE  
YOU PRACTICE  
THE BETTER  
YOU GET

# Practice

- 2 If I had a bigger salary, I'd be ... (unlikely)
- 3 If I spoke Chinese, I wouldn't need ... (unlikely)
- 4 If I had enough money, I'd retire now (unlikely)
- 5 If I meet ..., I'll get ... (likely)
- 6 If I see ..., I'll ask ... (likely)
- 7 If I had ..., I'd call him (unlikely)
- 8 If I work ..., I'll get ... (likely)



# Speaking

## What would you do if.....

- Your company asks you to work abroad for 6 months
- You find out a colleague is selling copies of company software
- You find out that you are being paid less than your colleagues
- You realize that your credit card is missing
- A colleague is criticizing the quality of your work
- Your company asks you to go on a six-week intensive Chinese course

# Listening 2 – Working in India

**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




# Listening 2 – Working in India

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



# Listening 2 – Working in India

 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



- 1 European and US firms made contact with companies in lower cost countries such as India because they could find the same skills at a cheaper price and with greater flexibility.
- 2 Not always a success. New jobs also have been created specialising in helping businesses to make their outsourcing process a success.
- 3 They will have to stay competitive to keep a leading position – but the market is potentially enormous.

# Speaking

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



# Vocabulary

## Vocabulary 1

Back-office operations; cost savings; facilities; globalise/globalisation; labour cost; layoff; offshore; outsource; reduce operating costs; redundancy/(to make) redundant.

## Vocabulary 2

Backlash; corporate downsizing; credit record; (to) fire/dismiss; (to) flee; graduate; investor-friendly; manufacturing jobs; outbid; overheads; overseas; (to work) overtime; phase; pilot project; reshape; rival; shift; (to work) shifts; (to) slash; service work/knowledge work; surplus; trained/untrained worker; (trade) unions; white collar/blue collar.



**THANK YOU!**

