

Reading file 7

Background

In these days of competition from rivals in low labour cost markets, more and more companies are turning towards outsourcing their production overseas in order to cut costs and remain competitive. For a business to be lean and mean it has to decide what its core activities are and concentrate on them.

A star example of the benefits of outsourcing is Dyson, founded by designer and engineer James Dyson. He has produced and sold his innovative and hugely successful bagless vacuum cleaner all around the world. When he decided to relocate production to Malaysia, he was heavily criticized for exporting British jobs, yet since then, Dyson has been able to focus on its core activities of design, marketing, and logistics. In fact, the firm now employs enough people in non-manufacturing jobs to compensate for the loss of those that went overseas.

The question is how other manufacturers can enjoy the benefits of outsourcing and find reliable partners in low-labour cost countries.

One way is to use the services of a consultancy specialized in this area. An established consultancy will have a network of established manufacturers that is able to make goods to high specifications. A consultancy worthy of the name will have working relationships with manufacturers across a wide range of activities from producing fabrics and textile, to metal castings and the production of the key components the client company desires. It will also undertake feasibility studies to see if outsourcing is a viable option.

It will be able to match the needs of the client to the most suitable manufacturer. It will also be there to help with visits by the different parties, advise on costs and contracts, and troubleshoot when problems invariably arise.

It can be helpful for the consultancy to have its own, or other agents in the countries where the outsourcing occurs. They can keep an eye on production and check that quality does not slip. Where possible, firms should only work with manufacturers who have ISO9001 certification or better.

Most low-cost manufacturers are found in the Far East and Latin America. However, EU manufacturers should also consider relocating production to new member states in Eastern Europe where labour costs have yet to catch up with those of the wealthier western members. The supply chain is shorter and many of these manufacturers can turn a job around in 48 hours.

Outsourcing to, for example, China or Thailand is best for long runs where the length of the supply chain is not an issue. Some jobs, however, should not be outsourced. These are short runs or special orders where time is of the essence. It is better if these continue to be produced and assembled in the mother country. Where assembly is concerned, they can use low-cost components from overseas suppliers.

Outsourcing is not always popular as concerns over quality and service prevail, but it is becoming self-evident now that outsourcing has become a necessity if companies are to survive and prosper in this ever more competitive world.

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Exercises

1 Work with a partner. Discuss these questions.

- 1 What kind of everyday activities does your business outsource?
- 2 How would you go about finding foreign partners that you could outsource some of your work to?

2 Read the text quickly and answer these questions.

- 1 Why does the writer believe that outsourcing has become a necessity?
- 2 Who should businesses turn to, to help them find suitable business partners?

3 Read the text again and answer these questions.

- 1 Why does the writer use Dyson as an example?
- 2 How did many people feel when Dyson outsourced production?
- 3 What other jobs have been created in the place of manufacturing jobs?
- 4 What range of suppliers should a consultant be able to offer?
- 5 Why should consultants have agents and partners in outsourcing countries?
- 6 What guarantees of quality should outsourcers look for?
- 7 What kind of manufacturing benefits from outsourcing?
- 8 When shouldn't Western European countries outsource beyond the EU?

4 Complete the sentences by solving the anagrams.

- 1 Perhaps we could have some of our _____ made abroad. OCEMOPNTNS
- 2 We will continue to _____ the appliances in the UK. AMLSSEBE
- 3 We need to decide how _____ and practical it will be. ESIFABEL
- 4 Can you ask them to provide us with a _____ of their work? APSMEL

5 Match 1–10 to a–j to form collocations from the text.

1 overseas	a chain
2 high	b partners
3 core	c run
4 working	d specifications
5 special	e production
6 reliable	f components
7 supply	g suppliers
8 relocate	h activities
9 long	i relationship
10 key	j order

6 Look back at the text and choose three words that you could use in your day-to-day work.

7 Find these phrases in the text and work out what they mean from the context.

- 1 lean and mean
- 2 survive and prosper

8 Work in small groups. Discuss these questions.

- 1 How moral is it for companies to outsource manufacturing jobs?
- 2 What responsibility does a company have for its employees? Are they more important than the owner or shareholders?
- 3 What will people do if more and more jobs are outsourced?
- 4 What are the long-term dangers of outsourcing?

9 Organize a debate on this proposition. 'This house believes that outsourcing is the road to economic disaster.' Make teams of people for and against the proposition. Be prepared to speak for two minutes each.