

Chapter 7: The Outsourcing Drivers

Outsourcing is not a new phenomenon, though the screaming headlines of the national press make it feel like the latest in a long line of business fashions. However, it would be false logic to connect the dot com boom and bust to the growth of offshore outsourcing.

Tim Hindle, of *The Economist*, reflects this view: "Outsourcing has been increasing since the second world war, and especially rapidly in the 1990s. According to one estimate, in 1946 only 20 per cent of a typical American manufacturing company's value-added in production and operation came from outside sources; 50 years later, the proportion had tripled to 60 per cent."¹

Rob Aalders repeats a similar observation in *The IT Outsourcing Guide*: "Outsourcing is a proven business process. Over the past 50 years, companies have outsourced advertising, legal services, fleet management, building maintenance and production. Outsourcing is not new."²

Elizabeth Sparrow, author of *Successful IT Outsourcing*, observes: "In the 1960s various computer bureaus were established, selling mainframe time to other organisations for data processing. This was effectively one of the earliest examples of IT outsourcing, used in this instance to gain the benefits of investment and specialist skills. As early as 1963, Perot's Electronic Data Systems (EDS) was handling data processing services for Frito-Lay and Blue Cross."³

However the reason offshore outsourcing has hit the headlines repeatedly is because a lot of ordinary people don't like it. The lyrics of this song⁴ by English singer-songwriter Billy Bragg are reflective of popular sentiment:

I lost my job, my car and my house
When ten thousand miles away some guy clicked on a mouse
He didn't know me, we never spoke,
He didn't ask my opinion or canvass for my vote
I guess it's true, nobody cares

In 2001, Naomi Klein published *No Logo*. She has since become the standard bearer for the anti-globalisation protest throughout the world. Her follow-up book *Fences & Windows*, sub-titled *Dispatches from the front lines of the globalisation debate*, adds more fuel to the fire. *No Logo* is an excellent document and the magnificent research undertaken by Klein has, no doubt, improved the lives of many Asian manufacturing employees.

However, a danger for the wider outsourcing community is that some of the mud thrown at western employers by campaigning journalists, such as Klein, will stick to caring and responsible organisations. In *No Logo* a typical comment on

brand management and strategic sourcing reads: "When the actual manufacturing process is so devalued, it stands to reason that the people doing the work of production are likely to be treated like detritus - the stuff left behind."⁵ Provocative indeed.

I know that this is not always true. In the UK, the National Outsourcing Association has engaged in dialogue with organisations such as Amnesty International, in order to ensure that the industry is not only a fair employer, but is seen to be a fair employer.

Susan George is Associate Director of the Transnational Institute in Amsterdam. In an essay titled 'Corporate Globalisation' she writes: "Transnational corporations measure their success by profit rates and 'shareholder value', meaning the market price of the company's stock. Some corporations even buy up their own stock to cause the market price to rise. Cost-cutting, especially through massive layoffs, is another way to increase shareholder value, and loyalty to employees or to the communities where they happen to be located is a thing of the past."⁶ Remember what Nehru said to Tata? Never talk to me about profit, it is a dirty word.

Large social groups oppose any form of change, especially the changes associated with globalisation. In *the Power of Identity*, Manuel Castells has analysed several social groups that have fought back against the perceived new world order.

The Mexican Zapatistas fight for their dignity through opposition to the North American Free Trade Agreement. The dozens of American militia groups spread throughout the US campaign extensively on the Internet for the right to personal sovereignty, without the stranglehold of the US federal government. The Japanese Aum Shinrikyo group, famed for their 1995 sarin gas attack on the Tokyo subway, want to redefine people's lives and to avoid the apocalypse.⁷

These groups have rejected what they see as a modern Orwellian world, though they remain a component of the complex fabric that is twenty first century society. None of us can really check out from life and ignore the drivers of social change, not unless we can all become organic potato farmers on Hawaii.

Not everyone opposed to change is part of a protest group. Henry Kissinger made scathing comments about offshore outsourcing at a conference in Las Vegas. He said: "The question really amounts to whether America can remain a great power or a dominant power if it primarily becomes a service economy, and I doubt that." On the topic of jobs moving overseas he added that it called for: "some careful thought of national policy of how we can create incentives to prevent that from happening."⁸

Gary Hamel writes of a new age of revolution in his book *Leading the Revolution*: "We now stand on the threshold of a new age - the age of revolution. In our minds, we know the new age has already arrived; in our bellies, we're not sure we like it. For we know it is going to be an age of upheaval, of tumult, of fortunes made and unmade at head-snapping speed. For change has changed. No longer is it additive. No longer does it move in a straight line. In the twenty-first century, change is discontinuous, abrupt, seditious. In a single generation, the cost of decoding a human gene has dropped from millions of dollars to around a hundred bucks. The cost of storing a megabyte of data has dropped from hundreds of dol-