

## BACK TO BRITISH

Bringing it home: **Glenn Hickling** looks at reasons to go back to British



## Insourcing? Offshoring? Unsure-ing?

'Insourcing' is a word coined recently by Barack Obama, as part of denouncing offshoring. In this context, the verb to 'insource' is to bring work that you have been outsourcing offshore, back to the company's indigenous homeland. Such as Ford Motor Company's recent decision to bring work to Detroit, Michigan, at the expense of factories in Japan and Mexico, which will create between 150-500 jobs for American citizens over the next four years.

Now there is talk of incentivising 'insourcing.' Tax breaks for companies who don't offshore, fiscal punishments for those who do (denied access to any form of government loan etc.). 'Insourcing' – or 'backshoring' as it has been dubbed by other

prominent commentators – is certainly a political and PR coup that will undoubtedly grab Ford some custom, and accrue some votes for Mr Obama.

But is it more than that? Will more and more companies bring work back home?

As UK unemployment figures rise, and wages go down, more skilled people are available cheaper. With India, the nation the UK offshores to more than any other – enduring a sustained period of inflation nearing 10%, wage arbitrage isn't what it used to be.

Indian wages are skyrocketing – up 11.7% in 2010, and predicted to climb 13% in 2011 according to global HR giant Aon Hewitt.

Wage increases in the UK are currently less than the rate of inflation – according to outsourcing consultants Mercer UK,

wage inflation is expected to be 3%, while the consumer price index is running at 5.2%. While not ideal for British employees, this does make backshoring more attractive, meaning it is increasingly feasible to do business in the UK.

Mercer UK's Mark Quinn said: "Salary increases in the UK are not keeping pace with the rising cost of living," while Aon Hewitt's Sandeep Chaudary said: "Double-digit increases will continue for the next several years, expected to be in the range of 12 to 15 % across industries."

As India is becoming a relatively expensive place to offshore to, it needs to find other ways to compete. Differentiating on quality, rather than cost. For companies whose main objective in outsourcing is to reduce cost, they will simply seek out other, less mature outsourcing destinations. There will never be any shortage of destinations to help out with that, and simple back office activities will continue winging their way to far flung corners of the globe for many years yet.

Areas where India do currently compete on quality, like software engineering, will be fine. Quality will remain around the same, but a little cheaper than the UK. But one area where India is suffering is voice-based call centres.

India's current economic state means that, because of the price pressures – particularly on food – people move jobs very quickly, for just a few rupees more elsewhere. India's attrition rates are astronomical right now – according to India's Economic Times, voice based call centres, is currently around 25-35%.

### Hyper-attrition

Hyper-attrition has led to a fall in call quality, as there is no time for comprehensive cultural awareness training. According to National Outsourcing Association Chairman Martyn Hart:

"It's not about accents or language barriers; cultural affinity is a must for successful offshoring, particularly so with front office activities. Taking the cheapest option will never be a route to success, if the quality is not up to the mark. Good call centre operatives open calls sympathetically, drill down to the heart of the problem, then find solutions. Complex problems require the operative to have a solid understanding of the caller's culture."

In the summer of 2011, perhaps responding to the economic arguments as much as the quality ones, New Call Telecom chose to bring their customer service operations back from Mumbai, and opened a contact centre in Burnley, Lancashire. In Burnley, and areas like it, commercial property can be rented for less than £5 a foot, call centre workers are paid the minimum wage, and crucially, people stay in their jobs for longer. Cultural awareness training is impertinent, as cultural affinity is a given, and therefore, training to fill this void is superfluous to requirements.

New Call Telecom was not the only call centre operator to come back to Blighty last summer.

In July 2011, in the face of 165,000 complaints about customer service in the latter half of 2010, Santander UK – who had been quite content to offshore to India since 2003 – decided that its customers could be better served by the people of Leicester, Liverpool and Glasgow. Customers' feedback that led to this was summarised into an official

statement that said that customers "prefer to deal with call centres in the UK, where staff could understand them better as individuals and know where they are coming from."

With staff churn so high, and call centres desperate to get bums on seats answering the phones, data security once again reared its ugly head. Improper due diligence is leading to corruption.

In 2011 the Sun Newspaper conducted an undercover sting, where they managed to buy a spreadsheet full of dodgy data – customer names, addresses bank details etc. – out of the back door of a call centre. Worse than that, senior politicians and executives were indicted and jailed for, amongst other things, scams within the telecom sector. The negative impact of these issues has been so great that in September 2011, there was a proposal of a 'Credible India' PR campaign being mounted to improve India's image to foreign investors. The campaign, which mirrors the Ministry of Tourism's 'Incredible India' campaign, will be launched in conjunction with US management consultancy Bain.

### Credible India

According to the 'Doing Business Report 2011' by the World Bank, India ranks 134th out of 183 countries. 'Credible India' aims to combat this. "For a country that aims to be a global economic powerhouse, such a ranking is highly counterproductive and can prove to be a big impediment in the realisation of that goal," says Harsh Mariwala, President of the Federation of Indian Chambers of Commerce and Industry (FICCI). "We are at a stage of development, where the next phase of our growth will be decided by how we move ahead in the realm of 'process' or 'procedural' reforms and improve business confidence," Mariwala said.

For companies considering offshoring, it is worth noting that all these scandals are just as likely to happen in Burnley as Bangalore. Data theft can happen anywhere where the processes are not locked down, and operatives can see the whole data set, not just the snippets that are absolutely necessary to their job. Outsourced offshore call centres are much more likely to have their procedures and protocol watertight. It is mission critical for these companies; without robust data security, no-one would want to do business with them. They simply cannot afford not to have robust systems and due diligence processes; they would be bust without them.

All the aforementioned call centres were of a 'captive' nature i.e. pitch up in India and do it yourself. According to KMPG's Shamus Rae, in 2011 India business environment '75% of call centre activity is captive, 25% outsourced.' The moral of the story? If you're doing it offshore, do it outsourced.

### Bringing it home

But there is always the option to bring it on home. Yes, we have data theft. Yes, we have political corruption too. But, if the numbers stack up and you need a strong social responsibility PR play, you could do a lot worse than 'insourcing' to the UK. It will continue to be talked about on political podiums and in boardrooms up and down the country. But will 2012 be the year where the work comes flooding back?