

**31.1** Match these people and things (1–7) with expressions in A opposite. You can use more than one expression with four of the items.

- 1 finding the best way of getting goods to the supermarkets in a supermarket group
- 2 a university professor who lectures on supply chain management
- 3 the subject taught by the professor in 2 above
- 4 aircraft wings to be used in the construction of a plane
- 5 washing machines on a truck going out of the factory gate, rather than components being delivered to make them
- 6 the cotton to be used in making thread for clothes
- 7 books in a bookshop waiting to be sold

**31.2** Match the two parts of these sentences containing expressions from B opposite.

- |   |   |
|---|---|
| 1 At present internet sales of meat are restricted to Britain because of the logistical                         | <input type="checkbox"/> a nightmare for railroads this year, slowing grain shipments.  |
| 2 There are a variety of logistical   | <input type="checkbox"/> b challenge for working parents, as well as a financial burden.  |
| 3 Poor weather conditions, company mergers and booming grain export demand have combined to create a logistical | <input type="checkbox"/> c difficulties and additional costs owing to its need for access to water.   |
| 4 The plant's lack of a waterside location created logistical   | <input type="checkbox"/> d obstacles to opening up a show that has not been performed for two weeks, from restarting complicated machinery to doing the dry cleaning. |
| 5 Providing child care is a logistical  | <input type="checkbox"/> e problem of exporting small orders of fresh meat.   |

**31.3** Look at C opposite. Then use the words below to complete the article.


dismantle    disposal    recycle    refurbishment    remanufacturing    waste

●
●
●

C
Q
H

### XEROX EQUIPMENT RECOVERY AND PARTS REUSE/RECYCLING

Xerox was a pioneer in the (1) ..... of retired copying equipment into new products for sale to customers. As part of the company's (2)' ..... - free initiative', Xerox established a customer-product take-back process. The initiative included designing new products with (3) ..... in mind and creating a remanufacture and parts reuse production capability and marketing effort. Xerox understood that retired copying equipment presented opportunities for creating value and improving the total solution for customers and stakeholders. Taking back end-of-life equipment relieved the customer of the cost and effort of (4) ..... Xerox received equipment that had been in use and could study the implications and impacts of earlier design and production decisions. It had 'evidence' that could help current designers create improved products and better solutions. Xerox designers also received the insights they needed to make their products easier to (5) ..... , refurbish and (6) ..... Solutions to the end-of-life consideration have to be built in during front-end design and production. Xerox has become a master at thinking about the total solution.



**Over to you**

What are the main logistical nightmares of your organization or one you would like to work for?

# 32 Outsourcing and offshoring

## A Outsourcing

Outsourcing is when organizations pay **subcontractors** – outside suppliers – to do work that was previously carried out **in-house** (see, for example, the first three combinations below). These activities may be described as **non-core** – not a part of the organization's **core competences** or **competencies** – the skills that allow it to maintain its **competitive edge** (see Unit 17). For example, Kodak considers that its core competence is electronic imaging and has kept this in-house; it **subcontracts** or **farms out** many other activities.



A key problem is identifying what is core and non-core. A company must undertake **transaction cost analysis** of each activity to see whether it would be cheaper to outsource and benefit from a supplier's **expertise** – skills and knowledge – because it does not have this expertise and is unwilling or unable to develop it strategically. The company has to decide which **capabilities** – skills – are central to its particular **corporate culture** – the way it does things, how its employees think, etc.

Here are some frequent combinations with 'outsourcing':

<b>business process</b>	<b>outsourcing</b>	administrative tasks
<b>information technology (IT)</b>		computer-based tasks
<b>logistics</b>		transport and warehousing
<b>strategic</b>		outsourcing that is important for the company's long-term goals
<b>offshore</b>		offshoring (see below)

## B Business process outsourcing

**Business process outsourcing (BPO)** includes:

- **back office outsourcing** which involves **business functions** such as:
  - a **purchasing** – buying in materials, etc.
  - b **payroll** – payment of employees' salaries
  - c **billing or invoicing** – preparing invoices and sending them to customers
- **front office outsourcing** which involves **customer-facing services**, such as:
  - d **technical support** – maintaining products bought by customers, training customers, etc.
  - e **marketing**

## C Offshoring

Outsourcing to companies abroad is **offshoring**. Financial institutions were among the first to **offshore** their back office operations, with call centres and IT services moving to countries such as India and the Philippines, part of the trend for businesses and economies to **globalize**. However, there is now a reaction. Some companies are bringing home operations that used to be done abroad in a process of **insourcing**. Similarly, **insourcing** is when organizations that had outsourced activities **bring them back in-house**.