
Whose Job?: Corporate Responsibility and Offshoring

Summary notes from roundtable discussion (5 July 04)

The discussion was conducted under The Chatham House Rule. These summary notes are publicly available.

1. Introduction

The roundtable was organised following interest in SustainAbility's recently published report for BT, 'Good Migrations'. The offshoring issue has proved increasingly politicised and contentious and presents a variety of corporate challenges in today's highly competitive global marketplace, where media scrutiny and stakeholder action – especially from trade unions – have been high profile and passionate.

The roundtable aimed to engage leading companies in a timely exchange of experience, dilemmas and best practice. The focus was not on the business mechanics of offshoring but on when and how jobs can be offshored responsibly – taking into account the socio-economic and political implications of job losses in the home country, and job creation in the country of destination.

Company participants represented the corporate responsibility function as well as the project management function (see list of participants).

2. Company involvement

All the companies participating in the roundtable were engaging in offshore outsourcing and there were various commonalities and differences in their approaches.

- **Outsourced or captive** – several models of offshoring were used. Some companies owned their offshored operations and the employees involved were direct company employees. Others outsourced to third parties but retained some control. And a third model was build-operate-transfer, where the companies contracted for a fixed time period at the end of which they could take ownership of the operation. Each of these models required different inputs from the company to ensure ethical and CSR requirements were met.
- **Redundancies** – for the most part companies avoided forced redundancies, but reduced numbers through natural attrition and by not expanding operations in the home country. However, there were rarely any clearly stated policies on how this should be approached. The companies acknowledged that it was important not to mix decisions around offshoring with other employment decisions.
- **Proactive communication** – all companies saw this as one of their main shortcomings. Internal and external communication and engagement was largely reactive rather than proactive. Companies recognised the need to better communicate precisely which jobs and areas were most likely to be offshored.
- **Anticipating consequences and engaging** – most companies did not anticipate the passion and extent of negative feedback from stakeholders. This is perhaps not too

surprising in that many companies failed to engage with trade unions before the decision was made.

- **Difference across countries** – multinational companies have experienced different pressures in their different countries of operations e.g. pressure in the UK has come mainly from trade unions, while the government in the US has taken a firm political stand on the issue in the light of upcoming elections.
- **Working with suppliers** – the companies that were at the roundtable were in general working closely with their offshore suppliers and sharing technical and managerial expertise as well as ensuring high standards of operation. Employees in these operations are treated as equivalent to company employees and get the same benefits. Companies are also engaging with local communities around their offshore facilities.

3. Key discussion themes

- **Over-optimistic business case** – there was a concern that even now the business case for offshoring is not sufficiently proven - especially in the short term. The expected early performance benefits and savings are not guaranteed, indeed are often proving lower than expected, and it is not at all clear that companies have fully understood the challenges from a business and corporate responsibility (CR) perspective.
- **Moral dilemma** – it is difficult to judge whether offshoring *per se*, and the trade-off of jobs from one country to another is “a good thing”.
- **Concept of ‘home’ country** – for multinational companies there may be no single country that they consider as “home base”, given their presence in a number of countries and their reality of having internally transferred jobs internationally for years.
- **Race to the bottom** – companies did not think that the offshoring trend would result in a race to the bottom in terms of companies continuously moving operations to lower cost countries. There was a sense that specific countries present specific advantages.
- **Nuanced and focused** – trends in campaigning are such that any resistance to offshoring is increasingly likely to focus on specific countries or regions, and that companies will need to be sensitive to how a particular issue might escalate and cross-connect.
- **One of many CR issues** – companies face a number of CR issues and offshoring is one of them. For financial companies, it is currently amongst the top ten concerns, although not number one. However, it was recognised as having the potential to be “the straw that breaks the camel's back”.
- **Trust** – customer relationships with financial institutions are grounded in trust. This has been stretched in recent decades, with banks becoming increasingly remote due to the closure of high street banks, increase in e-banking etc. Offshoring pushes this remove one further stage. Companies will need to carefully manage the trust-base with their stakeholder relationships if they are to ensure that customers welcome, support and trust their offshore operations and the quality of services it provides.

- **Embedding CR within the company** – companies currently do not tend to work with their CR teams on decisions to offshore. Greater co-ordination is required.
- **Addressing consumer benefit** – currently consumers see companies making large profits on the one hand and pushing to save costs on the other, among other things through offshoring of services. But they have not perceived any benefit returned to them as of now. This might change in the long term as companies may be able to provide lower priced services as a result of reduced costs.
- **Excuse for all problems** – adverse publicity received if there are any issues at an offshored call centre tars the reputation of all offshored services and call centres even though the issue itself may not be due to offshoring.
- **Waiting for a crisis** – it seems likely that the offshoring debate will jump to a different level and cross-link with other issues, e.g. the privacy debate. Companies, it was concluded, cannot afford to wait for a crisis.
- **Multiplier effect** – there was a concern that the trend should be looked at as the sum of its parts. For instance, while the impact of one company may not be significant, taken together the impact of the movement of jobs may have dire consequences for specific communities and the economy as a whole. It is important to engage industry associations, governments and even multilateral agencies in this agenda.
- **Role of government** – there is a definite role for governments in creating best practice, helping in the skill development and retraining of laid-off staff as well as co-ordinating company approaches in specific locations.
- **No NGO / civil society involvement** – currently most NGOs and civil society organisations are not engaging in this debate (other than directly affected trade unions).

4. Next steps

The participating companies will be taking shared learning and experiences back to their companies and hope to integrate their CR functions better with their offshoring practice.

SustainAbility will continue its focus on key sustainability trends and apply its learning from this process to other projects and research to help develop best practice.

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