

Listen to a business studies lecturer talking about history of outsourcing in the United States.

Optional exercise (The answers are at the bottom of the page).

Listen and put these points in the order they are mentioned.

Subject	Order
a) aircraft manufacturers	
b) electronic goods companies	
c) foreign carmakers	
d) sports shoe manufacturers	
e) US carmakers	

In today's programme, we'll be taking a look at the history of outsourcing in the USA. The manufacturing sector, in particular, has been outsourcing processes successfully for several decades. In the past, of course, companies used the expression 'sub-contracting' but this has become known as 'outsourcing' since the 1980s.

The new Boeing 787 is an interesting example of how aircraft manufacturers are outsourcing production around the world. Only about 10% of the production of the 787 is done in the US. The rest is carried out by Boeing's 40 partners in the project as far apart as Japan and Italy, France and Australia.

However, the aircraft company is a newcomer to outsourcing on a large scale. American carmakers have been outsourcing production for much longer. In the late 1970s, US car companies were facing a desperate financial situation and consequently needed to find ways of cutting costs and increasing profits. In the mid 1980s, in response to the crisis, General Motors took the unusual decision of closing 10 factories in the US and moved them to Mexico. Today, all the big three US car companies, Ford, Chrysler, and General Motors, have moved substantial parts of their production abroad.

Since the 90s, foreign carmakers such as Toyota, Nissan, Honda and other international manufacturers are now doing good business by making and selling vehicles in the States. So today an "American" car could "foreign" and a "foreign" car could be "American", such is the irony of the globalization of production.

To turn now to other industries, Nike was also one of the first US companies to send production to other countries. In the 1980s, the company initially sent the manufacturing of its sports shoes to its sub-contractors in Japan and China. This process has become known as 'offshore' outsourcing. It's argued that this approach allows Nike to focus more on what it does best: brand building, marketing and design, and it leaves the manufacturing to offshore third parties.

One consequence of outsourcing Nike did not anticipate was the bad publicity it received in the 1990s, following reports of poor working conditions in its outsourced Indonesian factories. The company's response has been to monitor its sub-contractors closely in different countries to avoid any future scandals.

Dell Computers and Apple are just two manufacturers of consumer electronic goods that get suppliers in countries such as Taiwan and China to make their products. Today most US manufacturers outsource some or all of their products. In fact, companies that are in the manufacturing and distribution sectors all over the world are moving towards the Nike model. Outsourcing may have its critics and its disadvantages but there is no doubt that it is here to stay.

Answers 1 a, 2 e, 3 c, 4 d, 5 b