MORI business

ALBA plc
GROUP OF COMPANIES

CBI
THE VOICE OF BUSINESS

Off-shoring Survey 2004 Summary Report

Research Study Conducted for the CBI/Alba

November 2004

Contents

Technical Note & Background

This survey was commissioned by the CBI in association with Alba, the electronic goods and power tools specialists, to measure business opinions on off-shoring: the current level and types of off-shoring activity, the impact on the UK, and attitudes to off-shoring from both those who have off-shored and those who have not.

This document contains a summary of the key findings from the research, and gives details of MORI's methodology. Total results in the form of a marked-up questionnaire are also appended.

Methodology

MORI carried out a paper self-completion survey of senior level directors drawn from a broad range of organisations in the UK. Almost half of the organisations represented are from the manufacturing sector, a third are from financial or other service sectors. Most organisations included have global operations while less than a fifth operate solely in the UK domestic market. The organisations surveyed have global revenues of £160bn. Between them they employ three-quarters of a million people in the UK, and 2.2 million globally.

Respondents surveyed were drawn from CBI member organisations and were requested to take part in a letter from Director General, Digby Jones. Approximately 1,100 member organisations, drawn at random from the CBI's membership database, were originally approached and 150 completed surveys were returned. Reminder telephone calls and emails were used to encourage organisations to respond and to answer any queries they might have.

Fieldwork took place between 7th and 29th October 2004.

Quality

Our approved data processing supplier used on this survey is MRQSA BS7911 accredited. Verification is a minimum of 20% for entered data. For verification purposes, a cross-section of batches is selected, taking into account all scanning machines, scanning operators, editors, and punchers. If any consistent errors are found (say by one scanning operator/puncher), 100% of that operator's work is verified. This is just one of the many quality control processes used by MORI in conjunction with MRQSA accreditation (Market Research Quality Standards Association).

Publication of Data

Our standard Terms and Conditions apply to this, as to all studies we carry out. No press release or publication of the findings of this survey shall be made without the advance approval of MORI. Such approval will only be refused on the grounds of inaccuracy or misrepresentation.

Statistical Reliability

The sample tolerances that apply to the percentage results for the returns in this report are given below. This table shows the possible variation that might be anticipated because a sample, rather than the entire universe, was interviewed. Sample tolerances vary by, not only sample size, but also the percentage result obtained.

For example, in a question where 30 per cent of respondents in a sample of 150 respond with a particular answer, the chances are 95 in 100[1] that this result would vary (from a complete coverage of the entire population using the same procedures) by no more than ± 7 percentage points.

	Approximate sampling tolerances applicable to percentages at or near these levels		
Size of sample on which survey results are based	**10% or 90%**	**30% or 70%**	**50%**
	±	±	±
150	5	7	8
75	7	11	12
45	9	14	15

[1] This represents the 95% confidence level, at which statistical reliability is most usually quoted.

Summary of Findings

Pressure to off-shore is great and becoming greater

Three in ten of the CBI member organisations surveyed are currently off-shoring; even more feel that the pressures to do so are great, and becoming greater. With the "push" factors becoming more prominent, there are also a number of "pull" factors encouraging organisations to off-shore: almost all of those considering or currently off-shoring feel the potential for off-shoring has increased with improvements in technology.

Organisations currently off-shoring tend to be large (both in terms of revenues and numbers of employees), and their main business sector is more likely to be manufacturing than services. Those currently off-shoring feel the pressures to do so are great, and they tend to operate in several countries rather than just the UK, or UK plus one or two others.

Half of the organisations feel the pressure to off-shore has increased – these are generally companies currently or considering off-shoring, and, sharing the attributes of these groups, they tend to be manufacturers and operate in several countries. Virtually no one feels the pressure to off-shore has decreased. Alongside this, nine in ten of those currently or considering off-shoring feel the potential to do so has increased. There is an indication that this is particularly true of those using or considering countries beyond Europe.

In contrast, off-shoring is felt by a substantial number to be inappropriate for their business. This is by far the most salient reason for not considering off-shoring, cited by four fifths of those not currently or considering off-shoring (almost half of those surveyed). These tend to be smaller organisations which do not feel the pressures to off-shore. Other reasons why these organisations forego off-shoring is the difficulty of managerial control (mentioned by a quarter), the loss of customer loyalty (mentioned by a sixth) and the risk of disruption to supply (mentioned by an eighth).

Cost reduction is main reason for off-shoring

In off-shoring many organisations hope to improve processes (mentioned by a third), get closer to new customers (mentioned by almost a quarter), improve customer satisfaction, and increase revenue (each mentioned by a fifth). However, the overarching reason for considering off-shoring shared by almost all organisations is to reduce costs.

"The main driver is cost - it is cheaper to 'share' infrastructures and labour costs are lower in other countries"

There are no major differences between different types of organisations in their reasons for off-shoring, with one exception: smaller organisations are more likely to hope to increase revenue by off-shoring.

Technology improvements have made more countries accessible

The primary change brought about by improvements in communications and other technologies has been to make more countries accessible (cited by two-thirds). There is an indication that larger companies and those in the service sector are particularly likely to feel this change. These groups are also more likely to feel that more service-type activities can be undertaken off-shore.

Technology improvements have changed the structure of supply chains for many manufacturing organisations. Those less than "very satisfied" with their off-shoring experience are also more likely to feel that the character of off-shorable activities has been changed in this way. However, improvements in technology have not allowed the use of less skilled staff – fewer than one in ten cite this.

Almost all organisations feel that improvements in technology have changed the character of off-shorable activities. Larger companies and those operating in more countries tend to feel a great deal has been changed by improvements in technology.

Production/manufacture is most "off-shorable" activity

Almost half of those currently off-shoring have relocated the production/manufacture of industrial goods overseas. Half of those considering off-shoring would consider this activity. Production of consumer goods is the second most popular activity to off-shore, with around three in ten off-shoring/considering off-shoring this activity.

Those considering off-shoring are more cautious about the types of activities that can be off-shored: they tend to be less likely to consider every type of activity. Some key points in the choice of activities between those currently off-shoring and those considering off-shoring include:

- R&D/design is much preferred as an "off-shorable" activity by those already off-shoring (31% of those considering off-shoring would not off-shore this function, compared to just 11% of those currently off-shoring)

- IT Support and development is also preferred, with 29% currently off-shoring and over one quarter considering it

- Accounts and financial back office functions would be considered by around a quarter, but are currently used by only around half this proportion

- The survey shows no evidence that the off-shoring of call centres is on the increase (13% currently have off-shored call centres, while 11% are considering off-shoring this function)

- Human resources and administrative/secretarial functions are most likely not to be off-shored by both those currently off-shoring and those considering off-shoring

Chart 1: Choice of activities among those currently off-shoring

Q Which of your operations have you relocated overseas in the last couple of years? Which activities, if any, would you not consider offshoring?

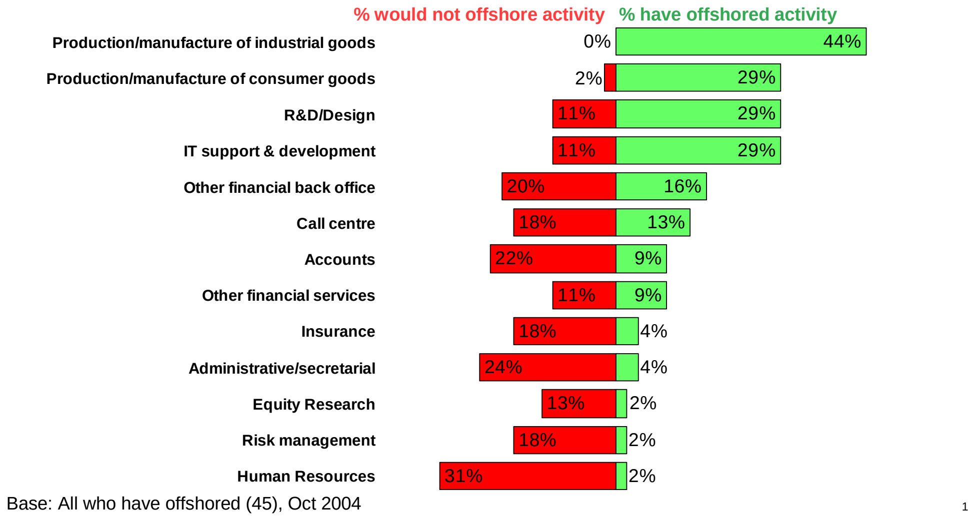
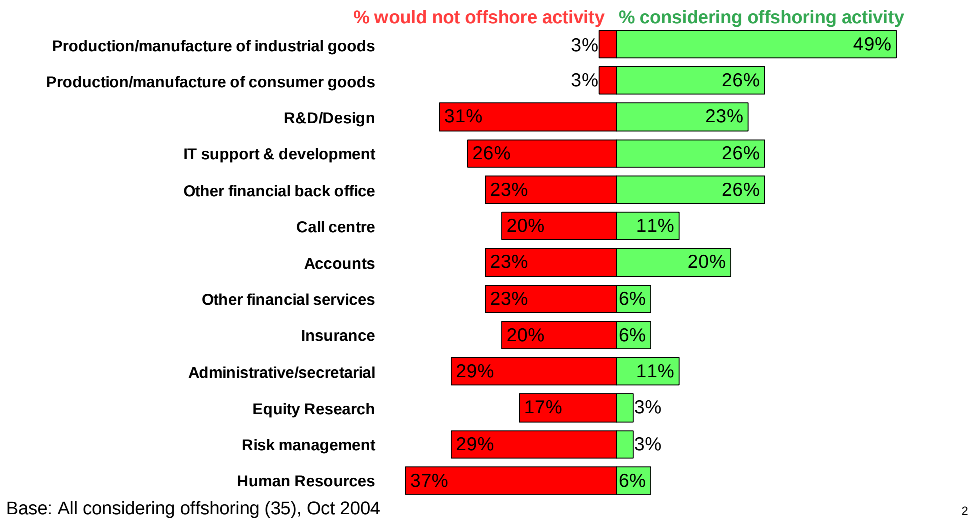


Chart 2: Choice of activities among those considering off-shoring

Q Which of your operations are you considering relocating overseas in the next year or so? Which activities, if any, would you not consider offshoring?



Jobs, regions and skills: the impact on the UK

Those who are currently off-shoring, have, on average[2], relocated 175 UK jobs and 9% of their workforce overseas. However, not all of these have been lost from their UK workforce – on average[3] this cost is 75 jobs and 4% of the workforce. A mitigating factor for the UK is the number of new jobs created, especially graduate and skilled jobs: although the majority have not created any

[2] Median rather than mean is used to calculate the average, due to extreme outliers in the dataset. Mean = 590 jobs and 15% of the workforce

new jobs in the UK, the mean[4] number of new jobs created is 230, and 4% of the organisation's workforce.

"Whilst the number of UK jobs has reduced, they are more secure due to cost reductions achieved through off-shoring"

Smaller companies, and those in manufacturing sectors have off-shored larger proportions of their UK workforce, and have lost more of their UK workforce as a result. The regions most likely to have lost jobs due to off-shoring are West Midlands, and the South East (excl. London). These tend to be semi-skilled manufacturing jobs in the West Midlands, while the skills needed for jobs relocated from the South East are more varied.

Overall, the greatest proportions of jobs lost in the UK are skilled or semi-skilled, in line with those created off-shore, while the new jobs created in the UK since off-shoring began are likely to be either skilled or graduate jobs.

Change of scene: Asia most popular region

"China has become much more open and business more reliable and trustworthy"

Almost nine in ten of those who have off-shored have done so in Asia – the bulk of these activities are in China and India (three in ten have off-shored to each). Although more organisations have off-shored beyond Europe than within it, as many as six in ten have off-shored to European countries: Poland and the Czech Republic are the preferred locations. Central and Eastern Europe are also popular with those considering off-shoring, although again, Asian countries are the most popular. Smaller organisations, and those in service sectors are particularly likely to select a region beyond Europe (Asia in particular) when considering off-shoring. However, anecdotal evidence suggests barriers to off-shoring closer to home are being broken down.

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[3] Median used; mean = 340 jobs and 10% of workforce

[4] Median = 0 jobs and 0% of the workforce

"China has become more difficult, particularly to find skilled labour. Eastern Europe has become much easier since the EU expansion"

"Admission to EU in some countries has reduced logistics issues"

The Americas, Africa, and Australasia are used and considered for off-shoring by relatively few – fewer than one in ten in most cases.

The main criteria for these choices are lower costs within the framework of appropriate skills, and, to a lesser degree, the host government's support. Cost-saving is the overarching factor for both those currently and those considering off-shoring. Low levels of regulation or legislation is now a big attraction for those considering off-shoring (cited by three in ten). English-speaking capabilities and proximity to customers are taken into consideration by substantial minorities (four in ten and a quarter respectively).

"Learnt to overcome the initial issues (communication, language, etc.)"

As reflected by the fact that more advantages to countries are seen by those who have off-shored than those considering off-shoring, the attractiveness of a country increases for many who off-shore there (one in three feel the locations they chose have become more attractive). Only a tiny minority have been disappointed by the locations chosen (fewer than one in ten). There is a sense of having overcome obstacles and now reaping the rewards.

"The initial "toe in the water" has been developed to exploit the economies of scale"

If they had to undertake the same off-shoring activity again, almost all would be prepared to use the same countries.

High satisfaction with minimal drawbacks overcome

Nine in ten of those who have off-shored are satisfied with the experience (a third of these being "very satisfied"). Those who have off-shored more of their workforce and those who have off-shored beyond Europe are slightly more satisfied than others. In addition, two thirds feel their satisfaction has increased over the past couple of years, again, particularly those who have off-shored beyond Europe. Only two organisations have brought off-shored operations back.

"Operationally few if any negatives"

Almost all organisations that have or are considering off-shoring are familiar with drawbacks. The main perceived drawbacks fall into both operational issues (such as language and time zone problems) and softer issues (such as the impact on staff morale, and political risks). Difficulty of managerial control and the risk of disruption to supply are the top mentions. Fewer drawbacks are mentioned by those who have off-shored; this group is more likely to mention practical problems such as too much foreign travel and lack of appropriate skills (at both management and operative levels). In contrast, security or corruption, damage to staff morale and rapidly rising costs are key fears of those considering off-shoring.

"Quality is certainly below locally sourced equivalents.
Difficult to sort out and remedy problems"

A learning experience

Key differences between those considering and those currently off-shoring illustrate the learnings gained in the process of off-shoring:

- Revenue is not increased, but there are many "softer" benefits, such as improved processes, fast adaptation and learning of overseas staff, and avoiding restrictive UK legislation

- Apprehensions are not always justified: once initial obstacles are overcome, fears about off-shoring are often unfounded, and there are unexpected benefits too

- Many of the issues that initially posed problems for companies - problems with distance and how to operate remotely - are now better understood. For some, sourcing middle management skills locally is still a challenge. Increasingly, problems are perceived in "softer" areas - staff morale, reputation and image of the company and customer loyalty.

- Despite this, not all functions are considered "off-shorable," and not all locations are perfect

  - Organisations make decisions within a changing landscape – technology improvements and changes of legislation mean the attractiveness of locations is constantly changing

  - Currently, manufacturing functions are most likely to be off-shored (and manufacturing companies are more likely to off-shore), however changes such as improvements in technology may make other functions easier to relocate

Conclusion

Overall, the results of the survey suggest that the practice of off-shoring is more than a short-term phenomenon. The pressures to off-shore activity are increasing, and the range of potential activities widening. As more companies gain experience, they are becoming more confident that they can manage off-shored operations. The practice of off-shoring is but one manifestation of the growing integration of the world economy, and is expected to accelerate in coming years.

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Appendices

Marked-up Questionnaire

Verbatim Quotations

Marked-up Questionnaire

Off-shoring Survey (CBI/Alba)
Topline Data

- Final topline results based on a total of 150 questionnaires completed by CBI members
- Fieldwork was co-ordinated by MORI between 7th October – 29th October 2004
- Unless otherwise stated, figures quoted are percentages based on the total number of respondents (150)
- Where percentages do not add up to 100% this is due to either computer rounding or questions allowing multiple answers.

Q1. **How great are the pressures for you to relocate some of your activities abroad?**
PLEASE TICK ONE BOX ONLY

	%
Very great	21
Fairly great	23
Not very great	13
Not at all great	16
None	25

Q2. **How have these pressures changed over the past 2 years?**
PLEASE TICK ONE BOX ONLY

	%
Increased a lot	29
Increased a little	22
Stayed the same	39
Decreased a little	1
Decreased a lot	1
Don't know	5

Q3. **Have you off-shored any activities in recent years and/or are you considering off-shoring any activities?** PLEASE TICK AS MANY AS APPLY

	%	
Yes – have off-shored activities (either currently or previously)	30	PLEASE COMPLETE SECTIONS A & B
Yes – considering	23	PLEASE COMPLETE SECTION A
No, not currently and not considering	47	PLEASE COMPLETE SECTION C

After completing all appropriate sections as specified above, please complete the classification section at the end. Thank you.

Section A: to be answered by those who have off-shored (either currently or previously) or are considering off-shoring

Q4. **Which of your operations have you relocated overseas in the last couple of years? PLEASE** TICK ALL THAT APPLY

Q5. **Which of your operations are you considering relocating overseas in the next year or so?** PLEASE TICK ALL THAT APPLY

Q6. **Which activities, if any, would you not consider off-shoring?** PLEASE TICK ALL THAT APPLY

	Q4 Have off-shored	Q5 Considering off-shoring	Q6 Would not off-shore	
Base:	45	35	45 (Have)	35 (Considering)
	%	%	%	
Production/manufacture of industrial goods	44	49	-	3
Production/manufacture of consumer goods	29	26	2	3
Call centre	13	11	18	20
R&D/Design	29	23	11	31
Accounts	9	20	22	23
Other financial back office	16	26	20	23
IT support & development	29	26	11	26
Equity Research	2	3	13	17
Insurance	4	6	18	20
Risk management	2	3	18	29
Other financial services	9	6	11	23
Human Resources	2	6	31	37
Administrative/secretarial	4	11	24	29
Other (PLEASE WRITE IN)	13	-	-	-
Other (PLEASE WRITE IN)	-	17	-	-
Other (PLEASE WRITE IN)	-	-	4	3
None	-	-	-	-
No answer	-	-	60	54

Q7. **What reasons led your company to consider off-shoring?** PLEASE TICK THE THREE MOST IMPORTANT REASONS

	45 (Have)	35 (Considering)
	%	%
Improve processes (speed, quality, accuracy etc)	33	37
Gain access to innovation in processes / technology	7	9
Reduce costs	98	91
Increase revenue	11	26
Increase stock price	7	6
Improve customer satisfaction	18	20
Proximity to new customers	22	23
Focus on core business	18	17
Joint ventures with overseas businesses	16	14
Gain skills applicable elsewhere in the organisation	4	3
Business process transformation, inc. culture change	16	17
Restrictive regulation/legislation in the UK	13	26
Other (PLEASE SPECIFY)	11	9

Q8. **Which countries (i) have you off-shored to, or (ii) are you considering off-shoring to?** TICK ALL THAT APPLY

Europe	(i) have already	(ii) considering	Beyond Europe	(i) have already	(ii) considering
	45	35		45	35
	%	%		%	%
Czech Republic	20	23	Argentina	-	-
Estonia	2	-	Australia	7	-
Hungary	11	9	Brazil	7	6
Ireland	11	-	Canada	2	-
Latvia	-	3	Chile	-	-
Lithuania	-	-	China	49	49
Poland	24	37	Costa Rica	2	-
Portugal	4	3	Israel	-	3
Romania	9	14	India	51	51
Slovakia	2	9	Malaysia	22	6
Slovenia	2	6	Mexico	13	6
Spain	7	9	New Zealand	-	-
Others (European)	9	-	Nigeria	-	-
			Philippines	11	-
			Russia	7	11
			Singapore	7	9
Any Europe	**62**	**51**	South Africa	11	3
Any ex-Europe	**89**	**91**	Taiwan	16	3
Any Asia	**87**	**91**	Thailand	13	6
Any S/Central America	**20**	**9**	Turkey	13	6
Any Africa	**11**	**3**	Vietnam	-	3
Any Australasia	**7**	**3**	Others	13	9

Q9. **What were your main reasons for considering that country/those countries?** PLEASE TICK AS MANY AS APPLY

Base:	45	35
	%	%
Host government's support for the industry	31	23
English speaking capabilities of staff	42	40
Technically capable graduate workforce / availability of skilled workforce	67	69
Lower employment costs/total costs	93	91
Better resource utilisation e.g. 24 hour working days	24	17
Willingness to take on more mundane jobs	22	6
Host country's attitude to copyright and intellectual property	2	-
Proximity to customers	24	23
Economies of scale bringing together activities in one location	16	17
Low levels of regulation/legislation	18	29
Others (PLEASE SPECIFY)	7	11

Q10. **Overall, what do you consider to be the main drawbacks of off-shoring?**
PLEASE TICK AS MANY AS APPLY

Base:	(45)	(35)
	%	%
Rapid turnover of staff	11	9
Risk of disruption of supply	42	54
Political risks	36	34
Negative impact on staff morale	29	43
Negative impact on customer loyalty	13	14
Negative publicity	16	14
Costs rising faster than expected	13	31
Appropriate skills not available:		
i) Management skills	24	14
ii) Operative skills	13	9
Managerial control more difficult	47	66
Job losses/redundancies in UK	24	26
Language and time zone problems	36	37
Too much foreign travel	20	9
Security/corruption	9	23
No drawbacks	4	-
Other (PLEASE SPECIFY)	13	11

Q11. **How have improvements in communications and other technology changed the character of 'off-shorable' activities?**
PLEASE TICK AS MANY AS APPLY

	(45)	(35)
	%	%
More service-type activities	31	43
More countries accessible	64	71
Change in the structure of supply chains	47	37
Use of less-skilled staff	11	6
No change	9	14
Other	4	3

Q12. **To what extent have improvements in communications and other technology changed the character of 'off-shorable' activities?**
PLEASE TICK ONE BOX FOR EACH QUESTION

	A great deal	A fair amount	Just a little	Not at all
	%	%	%	%
Base: (45)	47	44	4	4
(35)	46	43	9	3

Q13. **To what extent have improvements in communications and other technology increased the potential for off-shoring over the last 5 years compared to the 5 years previous to that?**
PLEASE TICK ONE BOX FOR EACH QUESTION

	A great deal	A fair amount	Just a little	Not at all
	%	%	%	%
Base: (45)	69	22	9	-
(35)	74	17	9	-

SECTION B: TO BE ANSWERED BY THOSE WHO HAVE OFF-SHORED ANY ACTIVITIES (EITHER CURRENTLY OR PREVIOUSLY)

Base: 45

Q14. i) **How many jobs and what percentage of your UK workforce have you off-shored?** PLEASE TICK ONE NUMBER IN EACH COLUMN

Number of jobs	%	Workforce	%
Up to 100	33	Up to 5%	33
101 – 250	18	6 to 10%	16
251 – 500	11	11 – 20%	16
501 – 1000	7	21 – 30%	13
1001 – 3000	13	31 – 40%	4
Over 3000	2	Over 40%	7
Mean	590 jobs	Mean	15%
Median	175 jobs	Median	9%

ii) **How many jobs and what percentage of your UK workforce have been lost as a result?** PLEASE TICK ONE NUMBER IN EACH COLUMN

Number of jobs	%	Workforce	%
None	22	None	22
Up to 100	33	Up to 5%	31
101 – 250	9	6 to 10%	9
251 – 500	11	11 – 20%	11
501 – 1000	9	21 – 30%	7
1001 – 3000	9	31 – 40%	7
Over 3000	-	Over 40%	2
	Mean 340 jobs		Mean 10%
	Median 75 jobs		Median 4%

iii) **Since you began off-shoring, how many new jobs have you created in the UK, and what % of your UK workforce does this represent?** PLEASE TICK ONE NUMBER IN EACH COLUMN

Number of jobs	%	Workforce	%
None	49	None	47
Up to 100	20	Up to 5%	20
101 – 250	11	6 to 10%	13
251 – 500	-	11 – 20%	2
501 – 1000	7	21 – 30%	-
1001 – 3000	2	31 – 40%	-
Over 3000	2	Over 40%	2
Mean	230 jobs	Mean	4%
(Median	0 Jobs)	(Median	0%)

Q15. **What type of jobs:**
Have you created off-shore?
Were lost in the UK as a result?
Have you created in the UK since off-shoring?
PLEASE TICK ALL THAT APPLY

	i) Created off-shore	ii) Lost in UK	iii) Created in UK
	%	%	%
Graduate	42	20	31
Skilled jobs	60	44	31
Semi-skilled	62	44	9
Unskilled	33	24	7
No answer	9	36	60

Q16. **From which UK region(s) have these jobs been lost?**
TICK ALL THAT APPLY

	%		%
Northern Ireland	2	East Midlands	7
Scotland	9	West Midlands	29
Wales	7	East Anglia	7
North West	16	London	9
Yorkshire and Humberside	11	South East (excluding London)	24
North East	11	South West	7

Q17. **Since you began off-shoring, has the relative attractiveness of the location where you have off-shored to changed?** PLEASE TICK ONE BOX

	%
More attractive	33
No change	53
Less attractive	7
No answer	7

Q18. Please comment:
(see verbatim comments)

Q19. **If you were to undertake your off-shoring activity again, would you choose the same country(ies)?**PLEASE TICK ONE BOX

	%
Yes	89
No	2
No answer	9

Q20. **Overall, to what extent is your company satisfied with its off-shoring experience?**
PLEASE TICK ONE BOX

	%
Very satisfied	29
Fairly satisfied	58
Neither satisfied nor dissatisfied	4
Fairly dissatisfied	4
Very dissatisfied	-
Don't know	-

Q21. **How, if at all, has your company's satisfaction with off-shoring changed over the last 2 years? Would you say you are now…**
PLEASE TICK ONE BOX

	%
Much more satisfied	29
Somewhat more satisfied	40
No change in satisfaction	18
Somewhat less satisfied	2
Much less satisfied	2
Did not off-shore 2 years ago	7

Q22. **Have you brought activities back that had been off-shored?**

	%	
Yes	4	PLEASE ANSWER QUESTIONS 23 AND 24 AND ONWARDS
No	87	PLEASE SKIP TO QUESTION 25
No answer	9	

Q23. **If yes, what percentage of your original operation have you brought back?**

(Base = 2)	# 0 – 10% # 2 – 81-90%

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Q24. **What were your reasons for bringing these activities back?** PLEASE TICK AS MANY AS APPLY

Base: 2

	%
Rapid turnover of staff	x
Unsatisfactory level of service	
Managerial control difficult	
To improve customer loyalty	x
To improve company profile	
To improve staff morale	x
Security/corruption	
Disruption of supply	
Political risks	
Rising costs	
Language and time zone problems	
Too much foreign travel	
Other (PLEASE SPECIFY)	x

Q25. Please comment on your overall experience of off-shoring:
PLEASE WRITE IN BELOW
(see verbatim comments)

SECTION C: TO BE ANSWERED BY COMPANIES NOT CURRENTLY OFF-SHORING OR CONSIDERING OFF-SHORING

Base: 70

Q26. **If you have not off-shored activities and you are not thinking about off-shoring any activities, please indicate why?** PLEASE TICK AS MANY AS APPLY

	%
Inappropriate for nature of business	80
Have outsourced in the UK	7
Risk of disruption of supply	14
Political risks	4
Negative impact on staff morale	13
Negative impact on customer loyalty	16
Negative publicity	9
Appropriate skills not available:	-
i) Management skills	1
ii) Operative skills	4
Managerial control more difficult	27
Job losses/redundancies in UK	9
Language and time zone problems	11
Too much foreign travel	6
Security/corruption	13
Other (PLEASE SPECIFY)	9
No answer	4

CLASSIFICATION SECTION – PLEASE COMPLETE

Base: 150 (all respondents)

Q27. **What is your primary industry sector classification?**
PLEASE TICK ONE BOX ONLY

	%
Utilities	4
Mining, minerals, natural resources	1
Construction	6
Manufacture of industrial goods	20
Manufacture of consumer goods	13
Engineering	4
Other manufacturing	1
Transport and distribution	3
Technology/media/telecoms	5
Dot-com/Internet	-
Services: Retailing	3
Leisure/entertainment	1
Financial services	5
Other services	11
Other (PLEASE SPECIFY)	11
Any manufacturing	45
Any financial/service	32
No answer	17

Q28. **What were your global revenues in the most recent financial year?**
PLEASE TICK ONE BOX ONLY

Mean £1.1bn	%
Under £1m	3
£1m and under £10m	7
£10m and under £100m	35
£100m and under £500m	19
£500m and under £1bn	7
£1bn and under £5bn	8
£5bn and over	9
No answer	13

Q29. **a) How many employees do you have in the UK?**
b) And how many do you have in your global operations (including UK)?

	(a) UK %	(b) global %
1-99	9	5
100-499	28	3
500-999	14	5
1,000-1,999	15	7
2,000-4,999	12	5
5,000-14,999	5	11
15,000-24,999	3	5
25,000-49,999	4	7
50,000+	2	7
No answer	9	37
Mean	5,000 employees	14,000 employees
Median	800	7,700

Q30. **Apart from the UK, how many countries do you operate in?**
PLEASE WRITE IN BELOW

	%
UK Only	15
1-2 others	13
3-5 others	11
6-10 others	8
11-15 others	4
16+	23
No answer	26
Mean	19 countries
Median	5 countries

Q31. **Would you be willing to take part in a more in-depth telephone survey on off-shoring?**

	%
Yes	23
No	72
No answer	5

MORI

Background Note – Verbatim Quotations

The following are a selection of comments made by respondents:

Q18. SINCE YOU BEGAN OFF-SHORING HAS THE ATTRACTIVENESS OF THE LOCATION CHANGED?

HIGHER QUALIFIED PERSONNEL AVAILABLE

WE HAVE BEEN OFF-SHORING FOR A LONG TIME AND THE ABILITIES OF OVERSEAS CENTRES HAVE CONSTANTLY IMPROVED

OFF-SHORING HAS BECOME MORE ATTRACTIVE WITH THE HIGH VALUE OF THE POUND

INCREASING COST OF OPERATING OF CHINA - INFLATION GREATER IN THE UK

MORE SUPPLIERS IN THE MARKET PLACE, LEARNT TO OVERCOME THE INITIAL ISSUES (COMMUNICATION/LANGUAGE ETC)

CHINA CHOSEN FOR LOW COST SUPPLY BUT INDIGENOUS GROWTH IN THE LOCAL MARKET HAS BEEN HUGE - DOUBLED SIZE OF CAPACITY IN TWO YEARS

COSTS RISING FAST IN SOME OFF-SHORING LOCATIONS

WAGE COSTS HAVE INCREASED BUT INFRASTRUCTURE AND LOCAL EXPERIENCE HAVE IMPROVED

EASTERN EUROPE HAS BECOME MUCH EASIER SINCE THE EU EXPANSION

KNOWLEDGE AND EXPERIENCE DEVELOPED IN OFF-SHORE MARKETS REDUCES RISKS AND EASE OF SOURCING NEW BUSINESS

CHINA HAS BECOME MUCH MORE OPEN

Q25. PLEASE COMMENT ON YOUR OVERALL EXPERIENCE OF OFF-SHORING

AS AN AUTOMOTIVE SUPPLIER IT WAS A NECESSARY STEP TO FOLLOW CUSTOMERS AND LOWER COSTS

OPERATIONALLY FEW IF ANY NEGATIVES. POSITIVES IN TERMS OF QUALITY AND COST IMPROVEMENTS, LARGELY FROM ECONOMIES OF SCALE AND STANDARDISATION OF SERVICE PROCESSES

IT IS ESSENTIAL FOR US. WE ARE IN A GLOBAL BUSINESS AND FOREIGN EXCHANGE RATES (STRONG POUND) HAVE MADE THINGS MORE DIFFICULT. IT IS A SURVIVAL ISSUE

WHILST THE NUMBER OF UK JOBS HAS REDUCED, THEY ARE MORE SECURE DUE TO COST REDUCTIONS ACHIEVED THROUGH OFF-SHORING

AS THE OFF-SHORE STAFF HAVE BECOME MORE EXPERIENCED IN THE DESIGN OF PROCESS PLANTS, THE OFF-SHORE CLIENTS HAVE DEMANDED THAT MORE WORK IS CARRIED OUT IN "LOW COST CENTRES"

POSITIVE EXPERIENCE, GOOD QUALITY STAFF AVAILABLE, WILLING TO TRAIN, GOOD QUALITY OF OUTPUT

NEED TO TAKE CARE IN CHOOSING GOOD QUALITY RATHER THAN LOW COST. NEED ALSO TO STAY IN CLOSE TOUCH

WE ARE A TEXTILE CONSUMER GOODS COMPANY AND OFF-SHORING WAS ESSENTIAL FOR OUR SURVIVAL

FOR THE SAME INVESTMENT OF MONEY AND TIME, THE BENEFITS OF GOING OFF-SHORE HAVE FAR OUTWEIGHED THOSE THAT COULD HAVE BEEN OBTAINED IN IMPROVING THE COMPETITIVENESS OF THE UK OPERATION

WE SEE OFF-SHORING AS A NECESSARY PART OF DOING BUSINESS IN TODAY'S GLOBAL ECONOMY. HOWEVER, IT IS ONLY ONE COMPONENT OF OUR OVERALL COMPETITIVE STRATEGY

REDUCED STAFF TURNOVER ACROSS THE GROUP AND ACCESS TO A NEW SKILLED AND MOTIVATED WORKFORCE HAS BEEN VERY BENEFICIAL

AFTER INITIAL TEETHING PROBLEMS, WORKFORCE DEVELOPS FAST, EFFICIENT AT PROBLEM RESOLUTION AND EXTREMELY FAST DEVELOPMENT OF QUALITY

THERE HAS BEEN SOME CUSTOMER REACTION TO DEALING WITH PEOPLE OFF-SHORE. OVERALL HOWEVER, CUSTOMER FEEDBACK IS THE SAME FOR ONSHORE AND OFF-SHORE OPERATIONS. IT IS LIKELY THAT FUTURE OFF-SHORING WILL BE AIMED AT MORE BACK OFFICE ROLES

MUCH MORE DIFFICULT TO ACHIEVE THAN THOUGHT/PLANNED, BOTH IN COST AND 7TIMESCALE PERSPECTIVES. HOWEVER, ONCE ESTABLISHED WE ARE VERY SATISFIED WITH THE RESULTS

THE OFF-SHORE EXPERIENCE IS GREATLY INFLUENCED BY THE AMOUNT OF PLANNING CARRIED OUT AND…THE ASSISTANCE GIVEN TO THE OFF-SHORE PARTNER BY THE HOST COMPANY

LOWER COSTS AND IMPROVED PRODUCTIVITY CHALLENGE UK WORKFORCE TO IMPROVE

THE REAL BENEFIT HAS BEEN THE RE-FOCUSING OF UK ACTIVITIES ON CORE BUSINESS, WHICH HAS LED TO HIGHER ADDED VALUE IN UK PLANTS BY BETTER INVESTMENT POLICY AND GREATER FOCUS BY EMPLOYEES ON CUSTOMER SATISFACTION

OVERALL EXPERIENCE HAS BEEN POSITIVE. TENDENCY TO UNDER-ESTIMATE SET-UP TIME AND INITIAL MANAGEMENT EFFORT

HIGHLY SKILLED LABOUR. SHORTAGE OF ENGLISH SPEAKING MANAGERS (MIDDLE MANAGEMENT)

SO FAR VERY POSITIVE. IT IS THE ONLY WAY TO BRING THIS CONCEPT TO THE GLOBAL MARKET. THEY HAVE THE SKILLS AND RESOURCES BUT WANT/NEED OUR INNOVATIVE IP AND MARKETING SUPPORT