

Uk's barclaycard and the need to outsource



In the 21st there are two terms that keep on buzzing in the headlines: globalization and global telecommunications. These two are related because if technology continues to improve then the whole planet goes high-tech - each person beginning to realise that the world is shrinking and every year or so improvements in mobile communications, the Internet and the proliferation of wireless devices makes it easier to communicate with one another. One major implication of technology change is a concept called outsourcing.

This idea is nothing new but UK's Barclaycard is just one of the many global corporations that acknowledges the need to outsource. But it is not as simple as that, Barclaycard had to make a difficult decision, to choose between two places where they can outsource a portion of their operations - whether to ship some of their work to India or the Philippines. Overview According to Richard Bolin, Director of The Flagstaff Institute, Flagstaff, Arizona, USA, the phenomenon of outsourcing is nothing new and even as early as 20 years ago there are industrialised countries who made the connection between outsourcing and profitability:

Japan intentionally got rid of sewing factories to Southeast Asia by 1981. They couldn't waste their precious labour supply on low value sewing operations. This is what outsourcing is all about. If a company does not outsource, it will die. And if its country does not find new industries to replace the inefficient ones, it will not attract new investment and better jobs. Everybody has to understand this (Bolin). Bolin is just one of many business leaders that place their faith in outsourcing and believing that this strategy is not a threat to the nation's economy.

A more technical definition uses the term Business process outsourcing (BPO), "...BPO occurs when an organisation turns over the management of a particular business process such as accounting or payroll ... the underlying theory is that the BPO firm can complete the process more efficiently" (Brown, 2005). It is easy to comprehend that if global corporations fail to figure out the beauty of outsourcing then they will be left behind by their competitors.

They will eat the dust left behind by those who were able to grasp the idea that allowing others to do low value operations is the future of effective business management. It is similar to hiring a driver to do the more redundant work of driving in order to free up the CEO to do more important tasks. The positive feedback is the main reason why business process outsourcing is such a hot topic in the world today. But it does not mean that everything will turn out to be great whenever a company decides to outsource part of its operations overseas.

There are obviously so many things to consider. Each case must be treated separately and a thorough analysis of the operation, the core values of the company as well as pertinent information regarding the outsourcing destination must be considered prior to the decision to shut down one portion of the operations component of the firm and outsource it outside the country. Barclaycard UK A casual overview of companies that decided to outsource part of their operations overseas will reveal that most of them have a common denominator.

These companies are either in the manufacturing industry or it is a business that relies heavily on Information Technology. Those in manufacturing will

find the conditions in China particularly attractive because of the availability of cheap labour as well as the competitive costs of building and maintaining factories. Those in need of IT personnel will turn to India simply because this is a nation where there is a relatively high concentration of English speaking people that are at the same time tech-savvy and many are knowledgeable about current trends in the IT sector (Pogson, 2008).

Barclaycard is one European powerhouse that could not afford not to outsource. Barclaycard is part of the Barclays Group a conglomerate that can be found in the United Kingdom. It is Europe's largest multi-brand credit card and also provides other forms of consumer lending businesses. Barclaycard continues to lead the way in Europe and according to their official press release they are the most recognized brand in UK with over 10 million retail customers.

But they are still expanding - there are currently 8.8 million credit cards in issue outside the UK and the firm also maintains operations in over fifty countries and four continents. According to another expert, outsourcing is unavoidable and yet he cautions that it must be likened to a journey, requiring adequate planning and coordination (Pogson, 2008). This is especially true for Barclaycard. It is not an ordinary firm responsible for the manufacture of cheap products.

It is a company that handles a very important aspect of European business which is the issuance of credit cards and various lending services. In other words this is a type of business that requires high level thinking and performed by not only the most technically proficient people in the planet but also those that have the highest integrity. There are three possible

destinations if Barclaycard decides to outsource part of their least important operations outside the country there are three possible candidates: India, Philippines, and the Republic of Ireland.

Considering first the Republic of Ireland, it is easy to gauge that it will not be as cost-effective as transferring the operations to India or the Philippines. The only possible advantage is that the Republic of Ireland is culturally similar to the UK and the English speaking inhabitants will never pose a problem in terms of communication. But other than these two considerations, it is doubtful if Ireland can compete in terms of outsourcing rates when comparing the wages of workers in Europe to those in Asia. Considering India It is not hard to put India on top of the list.

There are many advantages of using the skilled workforce of India to tackle the outsourcing needs of Barclaycard. According to finance experts at Moody's, " India will remain a top outsourcing destination because of its tech-savvy and English-proficient urban workforce whose wages are much lower than their western counterparts" (Moody's Investors Service, 2009). The nation has a population of more than one billion people. From this number there are millions of educated English speakers entering the workforce each year (Kobayashi-Hillary, 2004).

The Indian workforce provides a compelling argument as to why Barclaycard should outsource to India. Trevor Foster-Black is the managing director of Coalition Development, a UK research company that provides information to recruitment firms and he remarked that their company uses researchers from India to structure and format data and he adds, " It would be very difficult to find such high-calibre people to do similar work in London ... They

arrive at 4am our time and everything's finished by the time we arrive" (Kobayashi-Hillary, 2004).

It is truly amazing to realise that the location of India can be a source of another advantage; in essence Barclaycard's operations can be sustained 24 hours a day and seven days a week due to the time differences. If Barclaycard will use the same strategy in their UK offices they would incur significant costs in terms of payroll alone. One can only imagine the numbers that will be generated by overtime and other costs related to keeping an operation functioning round the clock.

But if they will outsource to India, the executives at the UK headquarters can send part of their workload to their people in India and they can work while the executives are going to bed. This ensures that workflow is not interrupted and therefore Barclaycard can achieve cost-efficiency very quickly. If Barclaycard will outsource all of its call centres to India then the same level of efficiency and cost savings can be expected. The English speaking workforce in India will ensure that credit card holders can be assured of easy access to customer representatives 24/7 wherever they are in the world.

The low outsourcing rates in India will also allow Barclaycard to maintain a 24 hour cycle operations without downtime and therefore Barclaycard is just a phone call away whenever a customer encountered problems with their credit cards. Barclaycard will definitely find it worthwhile to invest in India but globalization as well as rapid development in technology can create weakness out of strength.

These problems are forcing European companies to create more geographically dispersed portfolio of IT outsourcing providers (Overby, 2009). India is bordered by Pakistan on one side and one only has to remember Pakistan's association with extremists groups to understand the spate of terrorist attacks in India. It is high time therefore to consider an alternative and a quick glance at Asia will reveal that there is none better than the Philippines. Considering the Philippines There are many advantages in choosing this country as a BPO destination and these are listed as follows:

Outsourcing rates are low and can easily compete with those of India; Transportation such as flights coming from the Western hemisphere is arguably better than other Asian countries; It is culturally compatible with the United States because it was a U. S. commonwealth in the early 20th century up to 1946; English is widely spoken and can be considered as the second national language; and The most successful outsourcing engagements in this country are for call centres (Mezak, 2006).

It seems that both countries are evenly matched in many aspects pertaining to BPO. The Philippines can boast of a highly-skilled workforce considering that it has one of the highest literacy rates in Asia, even higher than India. The only reason that India can offer more tech-savvy workers is due to the fact that there are a billion people in India while the Philippines has only less than one hundred million people. But in the English department both countries can provide excellent service.

When the Americans came to this nation in the early part of the 20th century the country was exposed to world class education systems and even if the Americans left in the middle of the 20th century the Filipinos were able to

adapt and they were able to create a system that can produce top calibre graduates annually. But there is one problem with the Philippines, "...it is the lack of skilled project management and experience with large software development projects ... it is easier to find body shops offering programmers than vendors with well-structured and well-managed teams of programmers" (Mezak, 2006).

This is where India has a clear advantage over this tiny island nation. Yet, again the Philippines will not give up that easily, based on a 2007 report, Barclaycard already closed its call centre in Manchester and since the Philippines excelled in this type of business process outsourcing then it must be considered as a future destination of Barclaycard's call centres. Conclusion Without a doubt, outsourcing is a must if a global conglomerate hopes to stay competitive in the 21st century.

If one considers outsourcing, there are three things will easily come to mind, cost-efficiency, cost-efficiency and more cost-efficiency. There is no executive in this planet that will pass up the opportunity to streamline operations and make more money in the process while retaining customer loyalty through the creation of customer friendly operations. With globalisation comes wage increase and various overhead costs that can easily force a company to bankruptcy if excess fat is not trimmed down.

Instead of reducing the size of the company it is much better to outsource. With the advent of modern technology and the efficiency of 21st century transportation services it is easy to do business on a global scale. Barclaycard is just one of the many European powerhouses eager to outsource and there are three destinations: the Republic of Ireland, the

Philippines and India. The Republic of Ireland already dropped out of contention considering that it is located in Europe and logic dictates that competitive outsourcing rates can only be found in Asia.

Considering the fact that Barclaycard is into the credit card business and that outsourcing requirements entails the capability to provide English speaking and tech-savvy personnel there are only two remaining contestants bidding for the rich rewards of outsourcing contracts - India and the Philippines. At first glance it seems that India is the best choice for Barclaycard. This is because India has already proven itself in the BPO business especially in the IT sector which is a major requirement for Barclaycard.

It boasts of English speaking and tech savvy personnel that can easily handle communication needs of the said UK firm. Moreover, if there is a need for programmers, the ability to communicate with English speaking Indian programmers are a definite advantage as compared to the hassle when communicating with programmers from other countries with poor English proficiency. There are other non-tangible advantages for India. While the Philippines was under the control of the American in the early part of the 20th century, India was for many centuries under the hegemony of Great Britain.

If the Filipinos were heavily influenced by American culture, Indians were heavily influenced by British culture. As many will know there is quite a difference between U. S. English and U. K. English. If this is an important consideration for Barclaycard's outsourcing needs then India will win hands down. If one combines this with the technical capabilities of Indian workers

then this combination of factors will be very difficult to beat. On the other hand India has its share of weaknesses. India is suffering from a bad image following the debacle of Satyam, one of India's top IT providers.

The scandal that hounds Satyam will easily make future investors uneasy with the idea that they are placing all their eggs in one basket. If this is combined with the recent spate of terrorist attacks then capital flight will most likely follow. If there are less investors willing to invest then India's IT infrastructure will not be upgraded and more bad news will follow. The security threat is also serious because outsourcing is a strategy with inherent risks and yet CEOs are willing to beat the odds with the promise of profitability and efficiency.

But if terrorist attacks will continue then there is a chance that operations can be affected. Barclaycard could not afford to lose one day of inactivity due to security problems. It is therefore logical to consider the Philippines as an alternative. It is also a nation blessed with English speaking and tech savvy personnel. Furthermore, the Philippines is lagging behind India thus it will remain competitive with its outsourcing rates to attract more customers and investors. If Barclaycard will choose the Philippines then it can expect more savings and therefore increase the satisfaction of key investors.

On the other hand the Philippines is not yet ready to wrest the crown away from India. The debate will never end. There are strengths and weaknesses for both countries but it seems that Barclaycard has spoken. Two years ago Barclaycard made an important decision, " Barclaycard will move some of its operations to India following the announcement it is to close its Manchester call centre this summer" (Ferguson, 2007). While the Philippines is also

strong in the call centre industry, India can provide something that is beyond the grasp of the Philippines.