

# Corporate Social and Environmental Responsibility in Global IT Outsourcing (CSER in GITO)

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## **Abstract**

The University of Manchester

Ronald Babin

Doctor of Business Administration

Corporate Social and Environmental Responsibility in Global IT Outsourcing (CSER in GITO)

2011

This thesis answers the research question: How do corporate social and environmental responsibilities (CSER) affect global IT outsourcing (GITO)?

In answering this question we identified seven key trends that are directing CSER in GITO. We found that CSER in outsourcing is new and relevant, with growing interest from outsourcing providers and buyers. CSER will be driven by consumer concerns and employee expectations, which are particularly relevant for outsourcing buyers with a consumer oriented product or service, such as banks or retail organisations. The need to attract and retain employees will increase the need for CSER at outsource providers. Similarly, CSER is important to an organisation's brand reputation with consumers, employees and other stakeholders such as investors. Within CSER, environmental topics are a growing issue: the need to reduce power consumption and thereby reduce greenhouse gas (GHG) emissions from carbon-based power production. We learned of 'green-washing', the need to be suspicious of CSER claims that cannot be fully validated. This led us, and others, to suggest that due diligence is required to counter possible in-authentic CSER by GITO providers. As a method of validating CSER claims, we propose using global standards such as the Global Reporting Initiative and ISO 26000 when examining CSER at outsource providers.

We examined CSER from a strategic perspective, to understand if CSER provides a long-term advantage to outsource providers. Directed by the research data and theoretical frameworks, we proposed a model of strategic and responsive CSER suggested by Porter and Kramer (2006). Responsive CSER describes the set of basic requirements that have become 'table-stakes' for GITO providers. Strategic CSER distinguishes outsource providers by providing long-term benefits that are not easily copied by competitors. By applying the strategic/responsive CSER model for GITO in a case study we developed a model that provides guidance to outsource buyers and their providers on when and how to share and collaborate on CSER projects.

The key contribution of this research is a model that describes the characteristics for buyers and providers to collaborate on CSER projects to build trust in the outsourcing relationship and to create shared benefits for both parties and to society or the environment. This research applies the Porter and Kramer model to an outsourcing relationship to understand how CSER can be used to improve GITO.

## Lay Abstract

The University of Manchester

Ronald Babin

Doctor of Business Administration

Corporate Social and Environmental Responsibility in Global IT Outsourcing (CSER in GITO)

2011

This research examines the intersection of corporate social and environmental responsibility (CSER) and global IT outsourcing (GITO). Global IT outsourcing is well accepted in most business organisations as a practice that reduces costs, improves performance, stimulates creativity, gives access to new capacity in resources and improves shareholder value. Social and environmental responsibility, sometimes called sustainability, is equally well recognised as a business strategy to define and defend an organisation's marketplace position.

Our research found that leading outsource providers have developed CSER within their organisations. Indeed, many providers have introduced sustainability consulting services reflecting the growing business interest in this area. We found that basic CSER expectations have become a standard requirement in many outsourcing requests for proposal, so most providers are now building CSER skills and developing their CSER credentials. We found that global CSER standards such as the Global Reporting Initiative, ISO 26000 and the UN Global Compact are frequently referenced as universal measures with which providers should comply. Outsource providers are expected to respond to buyer CSER expectations and to comply with emerging government regulations, especially regarding power consumption and carbon emissions. We found that a small number of outsource providers approach CSER strategically, advocating causes that are beneficial to society and the environment as well as to the outsource provider. In short, CSER is a strong and growing issue within global IT outsourcing, both for outsourcing buyers and providers.

Our key research contribution is a model of collaborative CSER, where the buyer and provider work together on agreed CSER priorities, strengthening the outsourcing relationship by building trust. Collaborative CSER produces workforce and communication benefits between the provider and the buyer. Collaborative CSER has the potential to create shared value for society and the environment in addition to improving the outsourcing relationship.

## Declarations and copyright statement

This thesis is based on ideas and previous research, listed below, by Ronald Babin in the topic of global IT outsourcing and corporate social and environmental responsibility.

### Conference Papers and Publications

Babin, R., S. Briggs, B. Nicholson (2011). "Corporate Social Responsibility and Global IT Outsourcing." Communications of the ACM **54**(9): 28-30.

Babin, R. and B. Nicholson (2011). "How Green is My Outsourcer: Measuring Sustainability in Global IT Outsourcing." Strategic Outsourcing International Journal **4**(1): 47-66.

Babin, R. and B. Nicholson (2010). "How Green Is My Outsourcer? Towards a Stages of Growth Model for Environmental Responsibility in Global IT Outsourcing". Global Sourcing Workshop, Zermatt Switzerland, 23-25 March 2010.

Babin, R. and B. Nicholson (2009). "How Green is My Outsourcer: Environmental Responsibility in Global IT Outsourcing". International Conference on Information Systems (ICIS), Phoenix Arizona, 15-18 December 2009.

Babin, R. and B. Nicholson (2009). "Corporate Social and Environmental Responsibility in Global IT Outsourcing." MIS Quarterly Executive **8**(4): 123-132.

Babin, R. and B. Nicholson (2009). "Corporate Social and Environmental Responsibility in Global Outsourcing". Global Sourcing Workshop, Keystone Colorado, 22-26 March 2009.

Babin, R. (2008). "Assessing the Role of CSR in Outsourcing Decisions." Journal of Information Systems Applied Research **1**(2): 3-14.

Nicholson, B. and R. Babin (2011). "A Suitable Partner for Development? Philanthrocapitalism and Global IT Outsourcing". IFIP Working Group 9.4 - 11th International Conference on Social Implications of Computers in Developing Countries, Kathmandu, Nepal, 22-25 May 2011.

No portion of the work referred to in the thesis has been submitted in support of an application for another degree or qualification of this or any other university or other institute of learning.

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- Infosys Mysore India, Manchester
- Northern Trust Chicago
- Rio Tinto Montreal
- Steria Manchester
- Tata Consulting Services Toronto

Thank you to the professional outsourcing organisations which allowed me to develop the concepts of social and environmental responsibility in outsourcing through surveys, teaching and seminars with their members:

- Centre for Outsourcing Research and Education (CORE)
- International Association of Outsourcing Professionals (IAOP)
- National Outsourcing Association (NOA)

Thank you to my thesis supervisor, mentor and friend, Dr. Brian Nicholson. I hope to follow your example.

I extend a special thank you to Rebecca who has helped me to edit this document.

Finally, thank you to my colleagues and supporters at Ryerson University. With their encouragement I have taken a fulfilling personal journey.

## **Dedication**

This thesis is dedicated to my grandparents Sam and Alice Bedford, who emigrated from Manchester in 1919, and to my father Louis Babin who passed away while this thesis was written.

And to my wife Wendy, for her everlasting patience, I dedicate this work. At last it is done.

## **Chapter 1. Introduction**

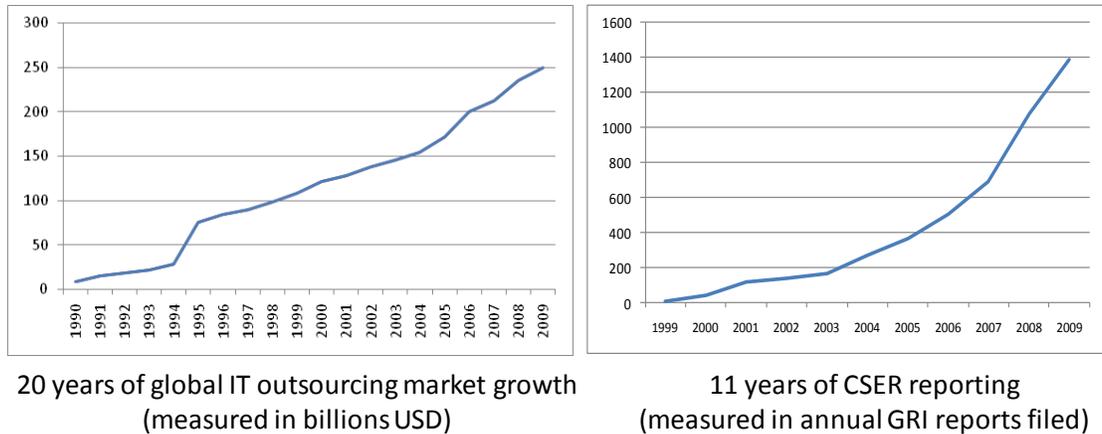
The focus of this thesis is the intersection of Corporate Social and Environmental Responsibility (CSER) and Global Information Technology Outsourcing (GITO). Global IT Outsourcing is a well-established business practice which offers reduced costs and improved performance, stimulates creativity, gives access to new capacity in resources and improves shareholder value. CSER is equally well recognized as a business strategy to define and defend an organisation's marketplace position (Werther and Chandler, 2005; Falck and Heblich, 2007; Vilanova, Lozano et al., 2009).

CSER is known by other names. The two most common names are Corporate Social Responsibility (CSR), which addresses social issues; and Sustainability, which addresses environmental issues as well as human population issues. Another term that is used is simply Corporate Responsibility. This thesis uses the term CSER, which has not been widely used by other researchers, and is used infrequently to describe reporting requirements for CSR (Gray, Kouhy et al., 1995; Coupland, 2005). The terms CSR or Sustainability are used in this thesis when referring to an external document, a report, a model, an organisation etc., where that term is part of the title or proper name or is used in a quotation. For example, many organisations will appoint a Director of CSR, or may publish an annual Sustainability report. Sections 2.2 and 2.3 will present definitions for CSR and for Sustainability, and will discuss the overlap and ambiguity of the two terms. In this thesis the term CSER will provide precision and clarity regarding the social (i.e. issues that deal with people) and the environmental (i.e. issues that deal with air, water, climate, and other earth-related topics) issues related to GITO.

The importance of CSER has grown with the recognition that organisations must use natural resources in such a way that will not diminish our ability to sustain development in the future, a concern initially identified in the United Nations Report of the World Commission on Environment and Development (Brundtland, 1987). One area of concern with regard to environmental responsibility is the use of carbon fuels and the rising cost of energy (Forge, 2007; Laitner and Ehrhardt-Martinez, 2008; NOA, 2009). The cost of energy has already increased dramatically and further increases appear likely, which will have an uncertain impact on global outsourcing and may further encourage the rise of 'green' IT. Issues related to carbon footprints and greenhouse gases are becoming increasingly important to both buyers and providers of outsourcing services (Brown, 2008; Foster, 2009; Koomey, 2011). Thus, responsible and economic energy management has become a critical business capability and an important CSER responsibility in GITO.

Figure 1.1 below depicts the parallel rise of global outsourcing and CSER reporting. In 1990 the global outsourcing market had just begun; in 1999 the first Global Reporting Initiative (GRI) CSER report was registered. Since these two start dates, both phenomena have grown at tremendous rates. These charts are presented again in Chapter 2 with a more detailed explanation.

**Figure 1.1: The Rise of Global IT Outsourcing (Willcocks and Lacity, 2010) and of CSER Reporting (Global Reporting Initiative, 2009)**



Despite solid and growing bodies of research on outsourcing and on CSER, we know of very little empirical research that has been conducted on the intersection of these two topics. The research presented in this thesis has been designed to explore the intersection of these two topics and thus fill a gap in the literature. The author posits that this intersection will become increasingly important to buyers and providers of outsourcing services.

The intersection of CSER and outsourcing is important for four reasons. First, with pressure from stakeholder groups such as customers and labour unions, outsource buyers increasingly expect that providers are able to live up to CSER expectations, as we will discuss in Chapter 4. Second, governments and regulators are defining CSER requirements, especially in the area of the environmental responsibility, which will require compliance from outsource providers, as will be discussed in Chapter 5. Third, non-governmental organisations (NGOs) such as the United Nations, Greenpeace and Ceres have established CSER standards that are increasingly used to measure the performance of large, global organisations such as outsource providers, which will also be discussed in Chapter 5. Finally, proactive outsource buyers and providers are adopting CSER capabilities that give them a competitive benefit in the outsourcing market, as we will discuss in Chapter 6.

## 1.1 Research Background and Definitions

Sahay, Nicholson and Krishna (2003, p. 1) describe global outsourcing of software and related IT services as “work undertaken at geographically separated locations across national boundaries in a coordinated fashion involving real time or asynchronous interaction”. Willcocks and Lacity (2006, p. 1) define outsourcing as “the handing over of assets, resources, activities and /or people to third party management to achieve agreed performance outcomes”. For the purpose of this thesis, global IT outsourcing refers to third party management of IT assets and services, including hardware, software, people and knowledge content, which are delivered in a coordinated fashion across multiple international locations. IT assets include hardware such as computer data centres, desktop and personal computers, communications devices and networks. IT assets also include software such as in-house application software and commercially purchased software. IT services include software development and maintenance as well as testing, documentation management, research and operation of IT hardware and infrastructure assets.

GITO is an accepted practice in many business organisations and is even regarded by some as a fundamental business capability. As the London School of Economics (LSE) Outsourcing Unit has found: “outsourcing is part of any future strategy... research shows clearly that outsourcing – properly planned resourced, and managed – can deliver significant competitive advantage to companies and organisations in all sectors” (Willcocks, Cullen et al., 2011, p. 3). A significant academic and practitioner literature has emerged over the last 20 years, which has improved our understanding of the management of GITO outsourcing relationships (Lacity and Hirschheim, 1993; Sahay, Nicholson et al., 2003; Dibbern, Goles et al., 2004; Feeny, Lacity et al., 2005; Willcocks and Lacity, 2006; Oshri, Kotlarsky et al., 2009; Lacity, Khan et al., 2010). Global outsourcing continues to grow. The majority of the companies included on the Fortune 500 list are already buyers of GITO and/or Business Process Outsourcing (BPO) and the market is expanding. In 2008, the global ITO market was valued at between \$220 to \$250 billion (Willcocks and Lacity, 2009, p. 14). The estimate for 2009–2014 is that ITO will grow by 6-9% per annum while mainstream BPO expenditure is likely to grow worldwide by 10% to 15% a year, from \$140 billion in 2005 to \$230 billion plus by 2013 (Willcocks and Lacity, 2009). In India, the National Association of Software and Services Companies (NASSCOM) reported that “worldwide BPO spending in 2008 grew by 12 percent”, and that for India the “IT and business services market will grow almost fivefold over the next decade” (NASSCOM, 2009). The International Association of Outsourcing Professionals (IAOP)’s Outsourcing 2010 State of the Industry Survey, authored by

Accenture, found that organisations had increased their intentions to expand their existing outsourcing programmes, from 38% in January 2009 to 56% in January 2010. The IAOP Survey additionally reported that “by a 2-to-1 margin, customers say they’ve been increasing the volume of work, scope of services being outsourced or both.” (Accenture, 2010, p. 3). Most organisations now accept that some aspect of their business, either small or large, can be outsourced.

In contrast to GITO, corporate social and environmental responsibility is less clearly defined. We discuss the challenges of defining CSR first and then sustainability second.

Crane, Matten and Spence describe CSR as a broad management topic with many different interpretations: “definitions of CSR abound, and there are as many definitions of CSR as there are disagreements over the appropriate role of corporations in society.” (2008, p.5). In the same article (p. 5), the authors quote Matten and Moon who describe CSR as a “cluster concept which overlaps with such concepts as business ethics, corporate philanthropy, corporate citizenship, sustainability and environmental responsibility.” Carroll (1991), Elkington (1994) and others have described CSR as the responsibility of organisations to provide more than economic returns to shareholders. Elkington coined the term ‘triple bottom line’, referring to the need for organisations to focus equally on profits, people and the planet (Elkington, 1997). Moon cautions that CSR is a term that is highly contextual and differs according “to national social, economic, governance and environmental systems in which it is located.” (Moon, 2007, p. 298)

The concept of sustainability is broader than CSR, because in addition to social responsibility sustainability includes environmental and nature-related issues such as biodiversity. Initial discussion of sustainability is often credited to the 1987 United Nations (UN) World Commission on Environment and Development: Our Common Future (Brundtland, 1987) which defined sustainability as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”. The UN definition of sustainability broadly includes topics such as the environment, population and human resources, species and ecosystems, energy, and food security. For this research, the term sustainability as defined by the UN would be too broad and unfocused. Whereas sustainability issues such as population, food security and others are certainly important, we found that only a narrow set of environmental issues would be applicable to GITO. The environmental issues applicable to outsourcing include carbon emissions from electrical power consumption and other outsourcing activities such as global travel, as well as electronic waste and conservation of water. Therefore we avoid the use of the term sustainability in this research and prefer to use the term CSER.

Since the 1987 UN report was published, corporate social and environmental responsibilities (CSER) have become important business topics. “The majority of Fortune 500 companies not only engage in social responsibility initiatives, but also devote considerable resources to reporting CSR activities to a wide range of corporate stakeholders” (Bhattacharya, Korschun et al., 2009, p. 257). The Economist (Franklin, 2008) reported on the growing priority that business executives give to CSER, with the importance of CSER issues approximately doubling from 2005 to 2008. The percentage of executives who give CSER high or very high priority has risen from 30% in 2005 to 55% in 2008 and was expected to grow to 65% by 2011. The Economist reported that CSER initiatives are expected to provide improved brand reputation, attract potential and existing employees, help meet the ethical standards required by customers and create better relations with regulators and lawmakers. Similarly, a Boston Consulting Group (BCG) report describes the CSER concerns of senior managers who “consider the economic, social and even political impacts of sustainability-related changes in the business landscape” (Berns, Townend et al., 2009). The report states that “sustainability will become increasingly important to business strategy” and recognising this, “companies will need to collaborate across internal and external boundaries.” In reviewing CSER and competitive advantage, the BCG authors comment that “Sustainability is garnering ever-greater public attention and debate” and organisations must answer three key strategic questions: “Will sustainability change the competitive landscape and reshape opportunities and threats that companies face? ... What, if anything, are companies doing now to capitalise on sustainability-driven changes? And what strategies are they pursuing to position themselves competitively for the future?” (Berns, Townend et al., 2009). This thesis begins to answer these questions from the perspective of the global outsource providers who support many of the larger organisations around the world.

Buyers and providers of outsourcing services have increasingly embraced CSER issues. As researchers, we have been intrigued by the growth of CSER in global IT outsourcing. Since our early reports on this topic (Babin, 2008; Babin and Nicholson, 2009) the volume and intensity of CSER discussion in GITO has grown considerably. For example, the IAOP established a CSR Committee in 2009 with the goal of defining a CSR guide for the outsourcing industry; the Global Sourcing Council (GSC) recognises leaders in CSER with an annual Sustainable and Socially responsible Sourcing (3S) award; in 2010 the IAOP began to evaluate the CSER profile of applicants to the Global Outsourcing Top 100. India’s NASSCOM has established a Green IT Initiative and has established the NASSCOM Foundation “with the aim to use information and communication technologies for development (ICT for D) and to catalyse the corporate social responsibility (CSR)

arena within the Indian IT industry” (NASSCOM, 2011). These examples demonstrate the growing interest of CSER to the outsourcing industry. We have seen a steady growth in CSER announcements from major outsource providers such as Accenture, IBM and Infosys, as the major providers recognise that outsource buyers expect a stronger CSER profile in their providers and they are also in need of consulting advice and implementation assistance in this new area.

As further evidence of the growth of CSER in GITO, a 2010 IAOP survey on social responsibility in outsourcing found that “CSR is an important and growing issue for outsourcing customers and providers – 71 percent say that CSR will become more important or much more important in future outsourcing contracts” (Babin and Hefley, 2010). Outsourcing buyers and providers rated the importance of CSER in their business strategy; the response was 3.9 on a 5-point scale (1 is somewhat important, 5 is crucial). Respondents to the IAOP survey rated social issues as more important than environmental issues. The top three CSER issues that outsourcing buyers look for are labour practices, fair operating practices and respect for human rights. IAOP plans to repeat the survey in 2011.

A CSER lens on global outsourcing reveals how outsourcing affects a broader set of stakeholders than just shareholders. The costs of outsourcing to both local and global society, and to the environment are weighed against the benefits to the organisations and their shareholders. A rising wave of CSER concerns has encouraged organisations to examine the social and environmental implications of their outsourcing business decisions. The rising importance of CSER, together with higher consumer expectations, suggests that GITO service providers will position themselves as socially and environmentally responsible.

The main concepts that will be used throughout this thesis are described and summarised below. A detailed glossary of terms is presented at the end of the thesis.

Global IT Outsourcing (GITO)	Third party management of IT assets and services, including people and knowledge content, which are delivered in a coordinated fashion across multiple national locations (Sahay, Nicholson et al., 2003; Oshri, Kotlarsky et al., 2009; Willcocks, Cullen et al., 2011).
Corporate Social Responsibility (CSR)	The responsibility of organisations to provide more than economic returns to shareholders; to be responsible for

contributions to stakeholders in society including citizens, governments, unions, communities and others (Carroll, 1991; Zadak, 2004).

#### Sustainability

Development that meets the needs of the present without compromising the ability of future generations to meet their own needs, as defined by the UN Brundtland report. Sustainability implies a voluntary contribution to social and environmental well-being by an organisation to a broad set of stakeholders (Brundtland, 1987; Elkington, 1994).

#### Strategic CSR

A term from Porter and Kramer (2006) to describe CSR projects that are initiatives where the social, environmental and business benefits are large, distinctive over a long period of time, are aligned with the corporate strategy, and are not easily copied by competitors.

#### Responsive CSR

A term from Porter and Kramer (2006) to describe CSR projects that focus on compliance, or acting as a good corporate citizen, responding to the evolving social and environmental concerns of stakeholders, and complying with government regulations.

#### Trust

A characteristic of the working relationship between two organisations, i.e. between an outsource buyer and an outsource provider, that helps to maintain strong and effective collaboration between the two parties (Lewicki and Bunker, 1996; Sabherwal, 1999).

#### Collaborative CSER

An outsource buyer and an outsource provider working together voluntarily in a project with common goals to improve an agreed topic of social and environmental responsibility (Babin, Briggs et al., 2011).

## 1.2 Research Questions

The question this research seeks to answer is this: how do corporate social and environmental, responsibilities affect global IT outsourcing? The objective of the research is to understand, from current buyers and providers of outsourcing services, how CSER considerations are factored into the outsourcing relationship, for both new outsourcing arrangements and renewal of existing outsourcing arrangements.

Four subordinate research questions extend from the key question, which are as follows:

1. What, if any, are the benefits of CSER in an outsourcing relationship, for outsourcing buyers and outsourcing providers?
2. How should outsource providers develop CSER within their organizations?
3. What should outsource buyers evaluate regarding CSER in a provider?
4. What is the role of emerging global CSER standards such as the Global Reporting Initiative (GRI), and the ISO 26000 Guidance for Social Responsibility, and what is the role of emerging government regulations and guidelines?

We posit that CSER is important because it improves the success of an outsourcing arrangement. Outsourcing success is never guaranteed. The Outsourcing Center and the Farmer School of Business Administration at Miami University (Goolsby and Whitlow, 2004) examined the causes of outsourcing failure and found that 11% of the 256 respondents identified poor communications as a frequent cause of outsourcing failure, while 40% of the respondents believe that better communication would add more value to the outsourcing relationship. Activities that reduce risk and improve outsourcing success will be welcomed by providers and buyers. We posit that CSER projects that are shared between buyers and providers, which we call collaborative CSER, will improve communication and will improve the outsourcing relationship by increasing the trust between buyers and providers. Improved trust, through collaborative CSER, improves the likelihood of success in an outsourcing arrangement. Collaborative CSER should provide better communication and improve the success of the outsourcing relationship.

CSER in GITO is also important because of the growing CSER expectations from stakeholders, including buyers, governments, employees and others. As many organisations and their stakeholders increase their expectations regarding social and environmental issues, we posit that buyer CSER expectations will be applied to outsourcing providers. For example, Walmart's Green Goods environmental campaign (Hoek and Johnson, 2010) has had a significant impact on its

supply partners. Similarly, IT outsource providers should expect to be held to the same level of CSER performance to which their customers aspire.

Global information technology outsourcing providers must increasingly consider issues of CSER in their service offerings. Buyers, governments, employees, and even non-government organisations are expecting GITO providers to behave in ways that are socially and environmentally responsible. Buyers want a provider who can bring CSER improvements and leading global practices to the relationship. Governments require measurable improvements in carbon efficiency, often driven by IT services. Employees want to work in organisations that demonstrate leadership in social and environmental issues. Non-government agencies such as Greenpeace expect outsourcing providers to develop solutions to global CSER problems and to demonstrate CSER leadership in their operations. For example, Greenpeace monitors CSER performance with its Cool IT Leaderboard (Greenpeace, 2011). We posit that outsource providers will react to stakeholder CSER expectations and must comply with government CSER regulations.

### **1.3 Thesis Structure**

To respond to the research questions above, the thesis is organised into seven chapters, which are as follows.

This first chapter introduces the research topic, research background and key research questions. Chapter 2 provides a review of the literature and the theoretical frameworks that are relevant to the research topic. In this chapter we describe the key discussions regarding CSER, sustainability, outsourcing, and the role of CSER in outsourcing. Chapter 2 also examines the environmental impacts of outsourcing and discusses the global standards for CSER. The chapter concludes with a discussion of three theoretical frameworks that will guide the research, which are 1) stages of growth and maturity, 2) strategic/responsive CSR and 3) the stages of trust development in working relationships.

Chapter 3 describes the research methodology. First the ontological and epistemological perspectives for the research are established, including a discussion of positivism, interpretivism and critical realism. The research methodology, which relies on both qualitative and quantitative methods, is explained and a rationale for selecting specific research techniques is given. Finally, the research design and data collection methods are explained.

Chapters 4, 5 and 6 present the results of the research. In Chapter 4 the results of preliminary data collection are presented, which includes data from interviews, surveys, a focus group and two exploratory case studies with outsource buyers at Rio Tinto and at Enbridge Gas Distribution. Chapter 4 concludes with a set of five guidelines regarding CSER knowledge and capabilities for outsource buyers and providers. Some of the material in this chapter has been published in a peer-reviewed journal, *MISQ Executive* (Babin and Nicholson, 2009).

Chapter 5 examines CSER through two additional exploratory case studies from the perspectives of global outsource providers Accenture and Infosys. These case studies provide a foundation for examining the broader CSER qualifications of the global outsourcing industry. In addition to the case studies a content analysis approach is used to examine and rank the CSER capabilities of the top outsource providers, using a list of 19 GITO providers taken from IAOP's annual listing of top 100 Global Outsourcers. The result is a 'stages of growth' model that identifies leaders, aspirants and laggards in GITO CSER and suggests actions for buyers and providers. Some of the material in this chapter has been published in a peer-reviewed journal, *Strategic Outsourcing: an International Journal* (Babin and Nicholson, 2011).

Chapter 6 presents an explanatory case study which examines outsourcing at Co-operative Financial Services (CFS). Working with outsource provider Steria, CFS has created a collaborative CSER model which creates strong trust between the two organisations and generates workforce benefits for both the provider and buyer. A key finding from the case is the application of the 'shared value' concept as described in the Porter and Kramer strategic CSR model (2011). The chapter concludes with a tentative model for applying collaborative CSER at other outsourcing buyers and providers, and with a set of actions that may be useful for managers considering collaborative CSER. Material from this chapter has been summarised in a peer-reviewed journal, *Communications of the Association of Computing Machinery* (Babin, Briggs et al., 2011).

Finally, Chapter 7 discusses the limitations of the research, describes practical, theoretical and methodological contributions of the research and identifies areas for further research.

## Chapter 2. Literature Review and Theoretical Frameworks

### 2.1 Introduction

This chapter reviews the important literatures on Corporate Social Responsibility (CSR), sustainability and outsourcing and describes three theoretical frameworks that guide the research.

A body of literature which examines the role of CSER in business has grown over the last two decades (Carroll, 1991; Elkington, 1994; Elkington, 1997; Emerson, 2003; Carroll, 2004; Moon, 2007; Matten and Moon, 2008; Vilanova, Lozano et al., 2009). Additionally, many researchers have analysed the academic literature on outsourcing (Dibbern, Goles et al., 2004; Lacity, Khan et al., 2009), and have observed the expansion of GITO while describing important trends. Yet despite the spectacular growth of both CSER and GITO, the intersection of these topics has received limited examination in academic literature, and such studies as exist focus primarily on the societal impact of outsourcing (Jones, 2005; Parayil, 2005; Knorringa and Pegler, 2006; Knights and Jones, 2007; Stainer and Grey, 2007). Clearly there is a gap in the literature regarding the business effect of CSER on global IT outsourcing, which is the focus of this research.

This chapter explores three theoretical frameworks which are used to guide the research. First, the stages of growth model is described; this is then applied in Chapter 5 to determine an outsource provider's CSER maturity. Second, Porter and Kramer's Strategic CSR framework highlights the importance of thoughtful selection of CSER projects. In parallel with the Porter and Kramer model, a model that describes stages of trust development (Lewicki and Bunker, 1996) is presented because of the importance of trust in the outsourcing relationship. Applying the Porter and Kramer Strategic CSR framework to an outsource relationship involves both the buyer and provider. Because there are two parties to the outsourcing relationship (buyer and provider), the Lewicki and Bunker model of trust is useful to explain how CSER can be beneficial to both parties, and beneficial to the relationship. We refer to this as collaborative CSER, where both parties work together on CSER activities to develop benefits for the outsourcing relationship. Collaborative CSER applies the Lewicki and Bunker model of trust in an outsourcing relationship to the Porter and Kramer model of Strategic CSR. These models will be demonstrated in the case study in Chapter 6.

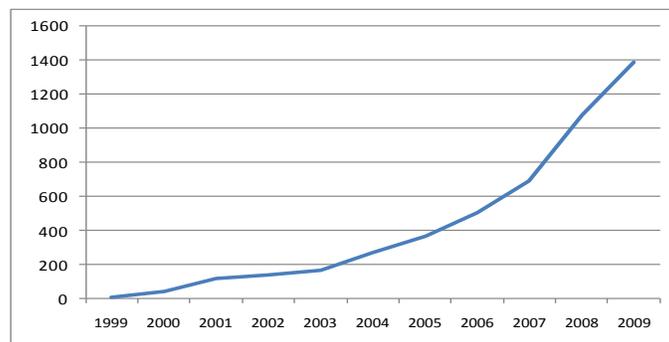
The chapter is presented in six sections.

1. **Corporate Social Responsibility.** This section presents an overview of the key discourses on CSR in business.

2. **Sustainability.** This section presents the main relevant discourses on sustainability, which is also used to refer to environmental responsibility. The section concludes with a model that clarifies definitions and distinguishes between CSR and sustainability.
3. **Outsourcing.** In this section the key relevant discourses on global IT outsourcing (GITO) are summarised.
4. **CSER in Outsourcing.** A small but growing literature regarding CSER in Outsourcing is examined in this section.
5. **CSER Standards.** This section discusses the relevant CSER global standards.
6. **Theoretical Frameworks.** Three relevant theoretical frameworks from the literature on CSER and Outsourcing, which will be used to guide the research, are presented in the rest of this chapter.

## 2.2 Corporate Social Responsibility

CSR is an increasingly important business and societal issue. “There can be little doubt that CSR is increasingly prominent theme in business. Even the sceptics acknowledge this” (Moon, 2007, p. 299). The Economist reports that the priority that executives give to CSR issues approximately doubled in three years from 2005 to 2008 (Franklin, 2008). The Global Reporting Initiative (GRI) has tabulated the number of corporate CSR reports since 1999. Figure 2.1 below depicts the exponential growth in these reports, from nine in 1999 to 1,390 in 2009. This data provides evidence of the growing global interest and importance that organisations place on CSR.



**Figure 2.1: Growth in CSR reports, as Reported by Global Reporting Initiative (GRI, 2009)**

What is corporate social responsibility? Matten and Moon (2008, p. 405) define CSR as a “clearly articulated and communicated set of policies and practices of corporations that reflect business responsibility for some of the wider societal good ... CSR is differentiated from business fulfilment of core profit making responsibility and from the social responsibilities of government.” They also

note that “despite a vast and growing body of literature ... defining CSR is not easy.” Others state that CSR is a concept that overlaps with business ethics, corporate philosophy, corporate citizenship, sustainability and environmental responsibility (Crane, Matten et al., 2008).

McWilliams et al. (2006, p. 1) define CSR as “actions that appear to further some social good, beyond the interests of the firm and that which is required by law” and agree with Matten and Moon that with many proposed definitions of CSR “often no clear definition is given, making theoretical development and measurement difficult.” They further state that “CSR lacks a dominant paradigm” and identify the need for ongoing research on CSR.

Early discussions on CSR began in the 1970s with a debate initiated by Milton Friedman (1970), who posited that the sole purpose of business is to increase profits for its owners, which excludes any involvement with, or contribution to, social or community causes. In the last 40 years the role and concept of CSR has evolved considerably (Pinkston and Carroll, 1996). Carroll set out a basic hierarchy of CSR called the Pyramid of CSR, from legal and ethical requirements to voluntary philanthropy (Carroll, 1979; 1991). Since Carroll’s publications many scholars have attempted to better understand the significance of CSR to an organisation. Mintzberg (Mintzberg, Simons et al., 2002) and Rendtorff (2009) point to the increasing need for organisations and their leaders to challenge self-interest and to balance the syndrome of organisational selfishness with social responsibility and cooperative human engagement. McWilliams et al. identify the importance of “distinguishing among strategic CSR, altruistic CSR and even coerced CSR” (McWilliams, Siegel et al., 2006). Others have posited that organisations can “do well by doing good” and that “practicing CSR is not altruistic do-gooding, but rather a way for both companies and society to prosper” (Falck and Heblich, 2007, p. 247). Emerson’s work has highlighted the importance of blending both social and economic returns from investments (Emerson, 2003; Elkington, Emerson et al., 2006). He describes the importance of CSR as more than a voluntary philanthropic activity, with: “mainstream CEOs discussing social and environmental performance of their firms ... as a strategy for increasing the total value of their companies” (Emerson, 2003, p. 35). Recent discussion has focused on how CSR can lead to the strengthening of a firm’s long-term competitiveness (Porter and Kramer, 2006; Falck and Heblich, 2007; Vilanova, Lozano et al., 2009; Porter and Kramer, 2011).

The strategic use of CSR, where it can be used for long-term competitive advantage to distinguish one organisation from its competitors, has become an important theme in the “do well by doing good” literature. The use of CSR for competitive advantage differs from the traditional voluntary philanthropic approach described by Carroll. Porter and Kramer have built linkages between

theories of firm competitiveness (Porter, 1987; 2008) and CSR (Porter and Kramer, 1999; 2002; 2006; 2011). The authors describe the concept of creating value through focused philanthropy to create a new set of strategic tools that strengthen an organisation's competitiveness. In their recent papers (2006, 2011) they have focused on CSR as a "source of opportunity, innovation and competitive advantage". They argue that prevailing justifications for CSR, such as moral obligation and reputation, have created "muddled" corporate-responsibility thinking. Instead, the authors advocate evaluating CSR opportunities "to create shared value – that is a meaningful benefit for society that is also valuable to the business". They propose a responsive-strategic CSR framework, which is described below in Section 2.7.3. Essentially, they argue that organisations should adopt strategic CSR initiatives which "unlock shared value by investing in social aspects of context that strengthen company competitiveness". They suggest that creating shared value between business and society will create an expanded pool of economic and social value. In particular they state that: "greater reliance on outside vendors, outsourcing and offshoring [has] weakened the connection between firms and their communities" and organisations need to move from a broad "global" perspective to become better connected with societal improvement, particularly at the local level. The Porter and Kramer view is not without critique. Edwards questions "the unrestrained involvement of capitalist organizations whose primary responsibility is to provide dividends for shareholders and/or pre-empt stricter government controls" (2008 as cited in Nicholson and Babin, 2011).

While the discourse on social responsibility in business continues to grow, the GITO industry has been slow to adopt these ideas. For example, the GITO industry lags behind other industries in defining CSER standards. Several industries such as apparel manufacturing, mining and forestry have embraced CSER by creating standards and codes of conduct for their industries. For example, Social Accountability International (SAI) initially defined the CSER standards for the apparel industry, reflected today in SA8000 (SAI, 2008). Often these standards have been developed in response to pressures from unions, non-governmental organisations (NGOs) and multi-stakeholder organisations. For example, in the 1990s Nike was forced to respond to pressure from activists regarding its low-paid offshore workers who manufactured high-price athletic goods for the very profitable organisation. Nike, with others in the industry, responded with a robust internal management and external industry approach to create and comply with acceptable international labour standards (Klein, 2000; Zadak, 2004).

### ***2.2.1 CSER in Global IT Outsourcing***

The IT outsourcing industry has begun to understand the importance of CSER, but the outsourcing industry is still in a relatively young industry, perhaps just over 20 years old. The CSER concepts are more difficult for a young industry such as GITO that is still establishing itself, compared to other mature industries where CSER has become well established, such as apparel manufacturing, mining and forestry. The GITO industry lacks a code of conduct for CSER and lacks an industry body to oversee CSER compliance.

Several authors (Dibbern, Goles et al., 2004; Lacity, Khan et al., 2009; Lacity, Khan et al., 2010) identify the Eastman Kodak outsourcing arrangement with IBM in 1989 as the start of the IT outsourcing industry. Business executives and boards now examine outsourcing by looking at many traditional business benefits, such as cost reduction, access to qualified personnel, process efficiencies, etc.. Interestingly, the importance of cost savings from outsourcing may have started to diminish in importance. According to Lewin (2010, p. 7), although “costs savings will most likely remain a crucial driver of outsourcing and offshoring, the potential for cost reduction alone is no longer enough to justify moving operations”. Moreover, “survey results strongly suggest that companies are shifting from costs-driven offshoring to a multi-dimensional value proposition for their offshore operations”. Social implications, including the welfare of the society in which the organisations operate as well as the welfare of the society where the global IT outsourcing and business process outsourcing will take place, are now being considered as factors in the outsourcing decision. In our research, buyers and providers told us that CSER capabilities were now becoming standard requirements in outsourcing arrangements, which will be discussed in Chapters 4, 5 and 6. Specifically, organisations which outsource will want to ensure that their providers can attest to the well-being of their employees and the communities in which they operate. A report from market research firm Cone Inc. (Cone, 2010) suggests that US consumers pay attention to the social and environmental practices of firms. Forty-four percent of respondents said they would “buy or boycott the company’s products” to help influence corporate social/environmental practices and initiatives. From a business case perspective, The Economist reports that CSER initiatives are expected to provide better brand reputation, make organisations more attractive for potential and existing employees, help meet the ethical standards demanded by customers and create better relations with regulators and law makers (Franklin, 2008). As we heard in our research interviews, organisations which outsource to external providers expect these same CSER benefits from their providers. As evidence, for example, professional groups such as the International Association of Outsourcing Professionals (IAOP), the National

Outsourcing Association (NOA) and the Centre for Outsourcing Research and Education (CORE) have begun to deliver CSER concepts in training sessions and seminars and have started to define guidelines for outsourcing buyers and providers. This implies that providers will develop their CSER credentials to respond to buyer expectations and there will be an increase in the topic of CSER across the GITO industry. What is not clear is the level of commitment that providers will give to CSER, which this research will examine as we look at provider social and environmental responsibility maturity in Chapter 5.

### **2.3 Sustainability**

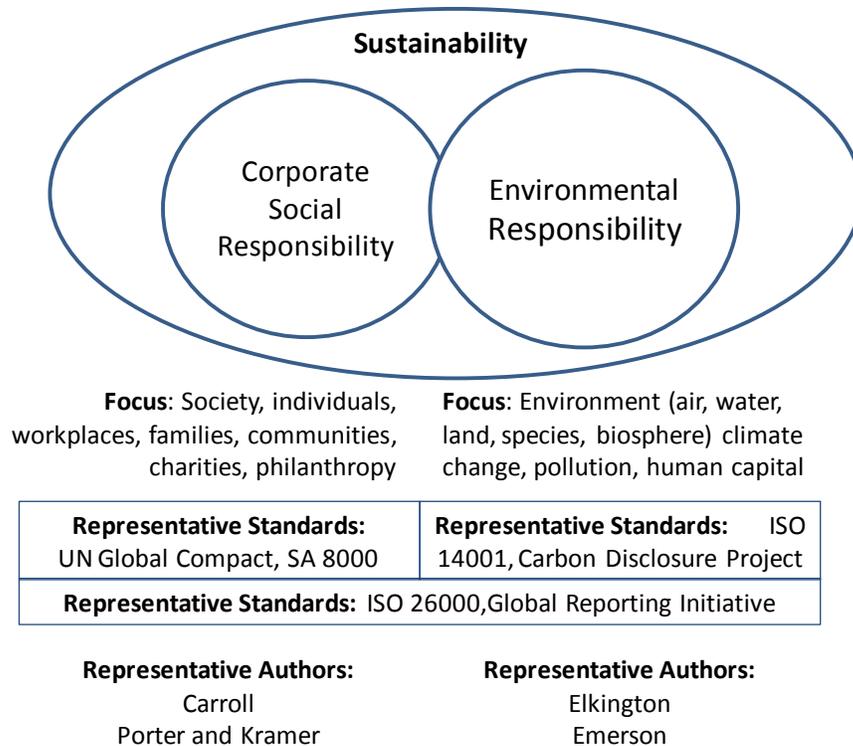
This section discusses the differences and similarities between the concepts of CSR, CSER and sustainability. As described above, CSER has been a topic for discussion at least since the 1970s (Friedman, 1970; Carroll, 1979). Sustainability was initially described in the 1980s in the United Nations (UN) Report of the World Commission on Environment and Development (Brundtland, 1987), and developed in the 1990s with the concept of the triple bottom line (Elkington, 1994). Both topics have evolved considerably since that time.

Figure 2.2 below shows the overlap of social and environmental responsibility. Sustainability is depicted as a combination of both social and environmental responsibility. In reviewing the literature, CSR and sustainability appear to have interchangeable definitions. Both sustainability and CSR address the human population, although sustainability tends to address the measurable aspects of the human population, such as population density, access to clean water, availability of food, clean air, etc., while CSR focuses on the balance between business and society, and the impact of business practices on society, including individuals, families and communities.

Marrewijk (2003, p. 96) describes CSR as a vague topic that is too broad and lacks a solid and well developed consensus. Because social responsibility “means something, but not always the same thing to everybody”, he posits that the “current concepts and definitions are therefore often biased towards specific interests”. He notes that CSR and sustainability, although from different backgrounds, have become synonymous: “In the past sustainability related to the environment only and CSR referred to social aspects, such as human rights. Nowadays many consider CS [corporate sustainability] and CSR as synonyms.” He offers this as an encapsulating definition: “In general, corporate sustainability and CSR refer to company activities – voluntary by definition – demonstrating the inclusion of social and environmental concerns in business operations and in interactions with stakeholders.” Moon also comments on the overlap of these two concepts:

“Both terms are used vaguely and even interchangeably”, “the CSR lexicon certainly includes reference to sustainability” and “neither can be codified” (Moon, 2007, p. 297).

**Figure 2.2: Overlap of CSR, Environmental Responsibility and Sustainability**



Many organisations have adopted different names to convey their social and environmental responsibilities. A review of the GRI listing for 2010 identified 368 reports whose title, in English, includes the words Corporate Responsibility, or CSR, or Social Responsibility and Social Report. From the same 2010 GRI list, 543 reports contained the word Sustainability or Sustainable in the report title, in English. The ratio of CSR reports to Sustainability reports is 368 to 543 or 40:60, suggesting that Sustainability is the more popular term. Non English titles, and titles using phrases other than CSR or Sustainability, approximately 35% of all the 2010 GRI reports, were excluded from the count.

In Chapter 6 we examine a case study with outsource buyer Co-operative Financial. Services (CFS) and two outsource providers, Infosys and Steria. Two of the three organisations examined in this case study have chosen ‘Sustainability’ as the title to describe their responsibilities to society and the planet. For example, CFS’ parent The Co-operative Group publishes an annual Sustainability Report (The Co-operative Group, 2009; The Co-operative Group, 2011) and Infosys also publishes an annual Sustainability Report (Infosys, 2009; Infosys, 2010). Although Steria publishes a

Corporate Responsibility brochure (Steria, 2010), the brochure and the Steria website frequently refer to sustainability.

The concept of sustainability was initially described in the late 1980s and early 1990s. The UN Brundtland Commission (Brundtland, 1987) defined sustainability as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”. Sustainability implies that the natural resources of planet earth, such as water, clean air and human capital, are limited and should not be over-consumed by today’s organisations and societies. Sustainability issues are often linked to environmental issues, where concepts such as that of greenhouse gases (GHG) have been identified as the cause of threatening climate changes (IPCC, 2008).

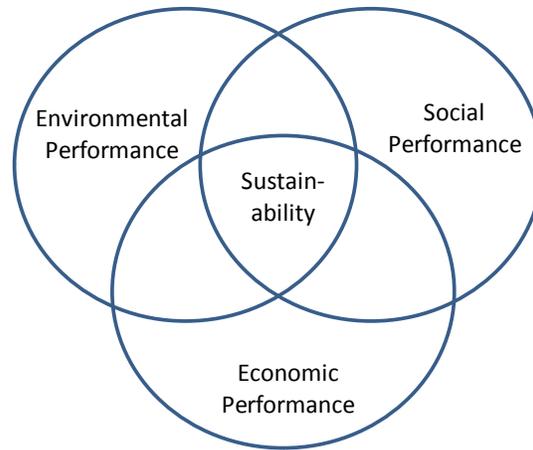
Individuals, corporations, governments and other organisations are respectful and sensitive to the growing societal need to operate as sustainable entities. Elkington (1994, p. 90) describes how environmental thinking is being integrated into every aspect of social, political and economic activity, creating “win-win-win strategies ... to simultaneously benefit the company, its customers, and the environment”. He suggests that “successful companies will have little option but to get involved in this rapidly emerging area.” Elkington describes the importance of improved business reporting of environmental performance, and advocates the concept of the triple bottom line (TBL), where organisations measure their economic (profit), social (people) and environmental (planet) performance. TBL is often referred to as the three ‘P’s: profit, people and planet.

However, not all organisations have embraced sustainability with the same intensity or rigour that Elkington describes. Some have embraced sustainability for market reasons, adopting “green” products to placate environmentally sensitive consumers. Others have been forced to adopt sustainability practices in response to public pressure from NGOs and governments. For example, Shell Oil’s Brent Spar controversy of the mid-1990s, the Nike child labour controversy as described by Klein (2000), and the 2010 BP Oil spill in the Gulf of Mexico have increased public awareness of the importance of sustainability.

Carter and Rogers (2008) have examined the definition and impact of sustainability in supply chain management and note that “Most definitions of sustainability incorporate a consideration of at least environmental and economic concerns, and even CSR conceptualizations and operationalizations consider the intersection of social and environmental issues.” They offer a model depicted in Figure 2.3 below, saying that: “organisational sustainability, at a broader level, consists of three components: the natural environment, society and economic performance” (p.

364). They comment that “this perspective corresponds to the idea of the triple bottom line, a concept developed by Elkington” (p. 364).

**Figure 2.3: Sustainability: the Triple Bottom Line (Carter and Rogers, 2008, p. 365)**



Increasingly businesses are embracing sustainability. In 2010, the World Business Council for Sustainable Development (WBCSD) published Vision 2050 (2010), which establishes goals similar to those identified by Elkington. The WBCSD authors suggest that in 40 years the world’s population will have increased by 30% to nine billion, challenging our ability to attain or maintain “the consumptive lifestyle” that we know today. Vision 2050 stresses the need for businesses to address the interconnected issues of water, food and energy in a holistic way. Notably, two global outsourcing providers, Accenture and Infosys, contributed to the sustainability goals of Vision 2050, along with 27 other global organisations. Also notable is WBCSD’s inclusion of social issues such as education and health, in addition to environmental issues, under the definition of sustainability. The increased attention of businesses, especially outsource providers, to sustainability is a key motivation for this research.

Outsourcing provider Accenture has also examined sustainability in a study that gathered input from 766 CEO members of the UN Global Compact. The study reports that “93% of CEOs see sustainability as important to their company’s future success”. Seventy two percent of the CEOs identified education (a social issue) as the most important sustainability issue, with 66% of the CEOs identifying climate change (an environmental issue) as the second most important issue (Accenture, 2010, p. 10). This research, although clearly in support of Accenture’s business, is a significant investment of resources and implies a strong commitment from this global outsourcer to sustainability. Accenture has chosen to use the term sustainability as a broad topic that

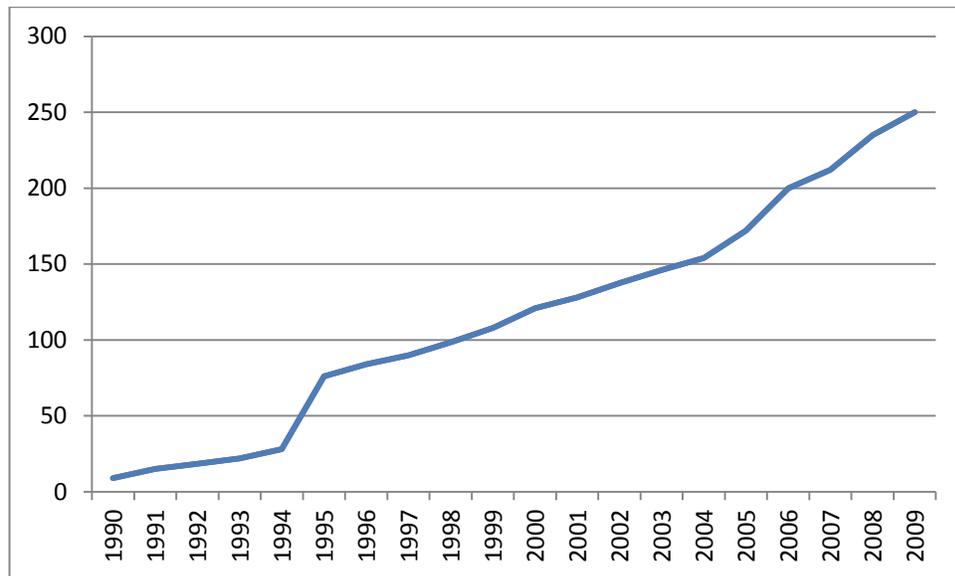
includes social, environmental and other issues as originally envisioned by the UN, rather than focus on the narrow CSER definition of just social and environmental issues. Accenture is an example of a leading outsource provider, as will be demonstrated in Chapter 5, that has embraced sustainability as a business practice both internally and with its clients. Accenture and other providers are defining new sustainability credentials that are becoming mandatory requirements in the competitive GITO market.

## **2.4 Outsourcing**

Global IT Outsourcing (GITO) refers to third party management of IT assets and services delivered across multiple national locations (Sahay, Nicholson et al., 2003; Willcocks and Lacity, 2006). GITO is an accepted practice in many business organisations and a significant body of knowledge has developed over the last two decades which has improved our understanding of the management of GITO relationships (Dibbern, Goles et al., 2004; Lacity, Khan et al., 2009; Oshri, Kotlarsky et al., 2009).

Figure 2.4 below depicts the dramatic growth of the outsourcing market in a 20 year period from 1990 to 2009. Lacity, Khan et al (2009) summarised 20 years of outsourcing research by examining 357 published articles, covering 18 years of IT outsourcing research, with “the first published outputs from academic research [appearing] in 1991”.

**Figure 2.4 Global IT Outsourcing Market, in Billions US\$ (Willcocks and Lacity, 2010)**



The data in Figure 2.4 represent global IT outsourcing revenues, excluding business process outsourcing (BPO) revenue. The data above are derived from Willcocks and Lacity, who relied on market data from Dataquest, The Yankee Group, IDC and other researchers. Although they caution that “numbers are not precise and often vary across firms” the growth trend for IT outsourcing is clear. Willcocks and Lacity estimate that GITO growth rates from 2009 to 2012 will be five to eight percent per annum. With this constant growth, the authors conclude that “Outsourcing is not a fad, but a fundamental change in the way IT is delivered” (Willcocks and Lacity, 2010, p. 4).

Many authors have examined global offshoring of IT services (Rottman and Lacity, 2004; Rottman and Lacity, 2006; Oshri, Kotlarsky et al., 2007; Agerfalk and Fitzgerald, 2008; Gupta, 2009; Lewin, Perm-Ajchariyawong et al., 2010) to better understand outsourcing challenges and opportunities. Although outsourcing holds great promise, success is not guaranteed. As Cullen et al. point out, outsourcing continues to grow, “in spite of all too frequent failures”, such as terminated contracts, poor outcomes or bringing functions back in-house, problems which affect 20% to 30% of outsourcing relationships (Cullen, Seddon et al., 2006, p. 358). Part of this research will examine how CSER can strengthen the outsourcing relationship, to help reduce some of the problems that challenge outsourcing buyers and providers.

Two specific issues in global IT outsourcing are pertinent to this research: cultural fit and trust. Cultural fit is important because buyers look for alignment in values between themselves and the provider. The buyer attitudes towards society and the environment, as exemplified in CSER, is an

important indicator of cultural fit. Cultural fit was mentioned in several interviews with outsource buyers, as will be described in Chapters 4, 5 and 6. Trust is important because it is a foundation of a strong relationship between buyer and provider. The sections below elaborate on the current discourse regarding cultural fit in outsourcing and trust in outsourcing. The concepts of cultural fit and trust will be used in developing our concepts of collaborative CSER in Chapter 6.

Cultural fit is important to the outsourcing relationship, but not easy to achieve. In an examination of success and failure in global software outsourcing, Heeks et al. found that “Successful relationships were those in which a high degree of congruence occurred between developer and client ... Unsuccessful relationships were those in which a low degree of congruence was achieved” (Heeks, Krishna et al., 2001, p. 55). The authors posit that congruence between buyer and provider fosters trust, which allows the outsourcing relationship to progress to larger and more complex projects. The authors also posit and demonstrate with three case examples, how objectives and values, which “encompass deep sociocultural differences” are not easily synchronised (p.56), resulting in one case with a “struggling relationship” between buyer and provider. In a detailed case study of culture and outsourcing, Nicholson and Sahay examined that cultural “clash” between Indian software developers and a UK management firm (2001). They point out that although global outsourcing of software development is attractive for economic and efficiency reasons, the management challenges of culture and organizational politics can create “unintended and potentially negative and often overlooked implications” (p. 41) that diminish the economic advantages of global outsourcing. Gregory et al. point out that compared to domestic projects, offshore IT outsourcing projects are particularly risky with “cultural risk ... which makes them especially susceptible to failure” (Gregory, Prifling et al., 2009, p. 224). Their research found that the culture that developed between the buyer and provider teams, called negotiated culture, resulted in “the development of interpersonal relationships [which] spiralled up to the organizational level to develop a trust-based client-vendor relationship (Gregory, Prifling et al., 2009, p. 236). The researchers describe how “motivational cultural intelligence” and “adapted behaviour for cross cultural interaction” creates a better outsourcing relationship, which will be demonstrated in this research with collaboration on CSER projects. Finally, in a review of global software alliances (GSA) between India and Japan, Sahay et al. found that “cross cultural communication issues were the most significant challenge facing the GSA management” (2003, p. 177), despite the success of Indian GSA with European and North American organizations. The importance of cultural fit will be discussed in our case studies of CSER in outsourcing in Chapters 4 and 6, where buyers identify cultural fit, demonstrated through shared views on social values and

priorities, as an important criterion when building a working relationship and trust, with outsource providers. We posit that collaboration on CSER projects is a mechanism for providers and buyers to align their social values and priorities and demonstrate cultural fit.

A key issue in outsourcing is the issue of trust in the relationship between outsource provider and buyer. Researchers have found trust to be important in business relationships such as outsourcing. In business strategic alliances, Das and Teng describe goodwill trust as dealing with “one’s good faith, good intentions, and integrity” and found that “goodwill trust reduces the perceived likelihood of opportunistic behaviour occurring, which in turn contributes to low transaction costs” (Das and Teng, 2001, p. 256). Building the work of Das and Teng, Heiskanen et al. distinguish between trust, control and power, and clearly define a specific type of trust, called behaviour trust, as the “understanding, goodwill and intention to voluntarily take corrective actions, and openness when failures occur” (Heiskanen, Newman et al., 2008, p. 271).

Lee, Huynh et al. point to the importance of:

building and sustaining a flexible relationship between customers and providers of IT outsourcing services [as] one of the ways to create value in outsourcing. Improving the quality of the relationships between the service provider and client organisations has been suggested as an important means to meeting the outsourcing challenge. At the core of a successful relationship the anchor of trust among the parties involved. Trust ... is the most desired quality in any close relationship. With trust, organizations could cooperate beyond a system of formal and legal rules (Lee, Huynh et al., 2008, p. 145).

The authors state that “partners commit themselves and make contributions to the relationship that go beyond what is specified in the contract. As a result, mutual trust plays an important role because there exist trust related elements that are intangible and not easily captured in the contract.” Furthermore, “[m]utual trust is a necessary but not sufficient condition for outsourcing success, especially in a knowledge rich phenomenon such as IT outsourcing”. Similarly, Oza, et al. examined the role of trust in software outsourcing relationships, specifically with Indian software companies that have achieved Capability Maturity Model (CMM) level 4 or 5. The authors concluded that “[i]n software outsourcing, maintained trust-based relationship can bring out better results in outsourcing projects particularly in geographically dispersed outsourcing projects” (2006, p. 352).

Bhattachary, Korschun et al have identified CSER as a “key stakeholder relationship-building activity” (2009, p. 263). CSER leads stakeholders to form strong bonds with the company and to develop trust towards the relationship, when the company signals to the stakeholder that it understands their needs and is therefore “like them”. As will be described in Chapter 6, CSER-initiated trust can be an important factor in building trust between outsource provider (company) and buyer (stakeholder).

## **2.5 Social Responsibility in Outsourcing**

Social responsibility issues related to GITO have provoked strong public and government reactions. The range of opinion is wide and, although there are “shades of grey,” they can broadly be identified as pessimistic and optimistic. Pessimists fear that GITO encourages unfettered capitalism and irresponsible corporate profit maximisation that increases the income inequalities between the developed and developing worlds. Optimists argue that GITO is beneficial because it distributes work and income globally.

**The Pessimists’ Argument.** GITO pessimists argue that GITO maximises profit for the rich and offers limited or no benefits for other groups. As evidence, they point to the growing gap between rich and poor in developing countries. The rich simply get richer as a result of GITO with “deepening income inequalities in the developing world and deepening income inequalities in the developed world after the onset of the so-called information economy” (Parayil, 2005, p. 41). They believe that ongoing and increasing levels of global outsourcing will have disruptive effects (Blinder, 2006). North America and Europe will, they claim, experience significant displacement of a broad range of workers, many from upper educational reaches, who will be neither passive nor politically quiet. Pessimists wonder whether the seeds of a future social and political crisis may be being sown as millions of white-collar workers face unemployment (Jones, 2005). Similarly, Levy states that “reducing wages through offshoring leads to wealth creation for shareholders but not necessarily for countries or employers, and that many displaced workers have difficulty ‘trading up’ to higher skilled jobs” (Levy, 2005, p. 685). Levy suggests that transnational corporations (TNCs) create global labour pools, where they take advantage of those with fewer employment opportunities, little regulatory protection and weak social safety nets, which reduces the bargaining power of all employees. Similarly, others report precarious employment contracts, mechanistic work processes in software factories without the support of union organisation and poor attention to health and safety (Sahay, Nicholson et al., 2003). Levy suggests that the

interests of the TNCs are “increasingly dislocated from the welfare of countries or workers”, which echoes the national economic issues identified by Parayil.

**The Optimists’ Argument.** GITO optimists view outsourcing as a mechanism for sharing wealth on a global basis. They posit that CSER and ethical trading, especially for global consumer branded products and services, as well as collective action toward the International Labour Organisation’s fair-work agenda, can improve labour conditions (Knorringa and Pegler, 2006). Optimists perceive global outsourcing as beneficial and

clearly ethically justified ... outsourcing promotes efficiency; helps developing countries by providing jobs where unemployment is very high, involves transfer of information technology and knowledge and encourages the educational process in less developed countries so that people are trained for new types of work provided by information technology and helps cut the costs of goods and services (DeGeorge, 2006, p. 40).

Several authors provide a more balanced assessment, suggesting that outsourcing is inevitable but can be conducted fairly and perhaps with benefits to many global stakeholders. Stainer and Grey (2007) suggest that organisations should expect to manage outsourcing risk issues by embracing CSER. Although outsourcing is a fundamental business strategy that has existed for 20 years, the pace and nature of outsourcing has dramatically increased through the use of low-cost electronic communications and global computing capabilities. Outsourcing, when used properly, can provide long term operational and business improvements. However, Stainer and Grey point out that it also creates both economic and reputational risks. Furthermore, they point out that human resources are fundamentally important to the success of any organisation, and by externalising these resources through outsourcing, an organisation takes on a higher risk, with an expectation of improved capability. A key ethical issue for outsourcing and offshoring is “exploitation, because expected low prices often reflect firstly low wages and poor working conditions and secondly fierce competition between providers from national and developing countries” (Stainer and Grey, 2007, p. 463). The authors conclude with a suggestion that ethical outsourcing requires an agreement between corporations, their shareholders, employees, governments and civil society, “to achieve betterment for all stakeholders”.

In summary, both pessimistic and optimistic opinion leaders and researchers are paying considerable attention to the topic of social responsibility in outsourcing. CSER presents challenges to GITO providers and buyers, both of which must have the business knowledge and capabilities to

understand and address the social issues related to outsourcing. Government and non-governmental organisations (NGOs) have begun to define and monitor standards for corporate social activities, which are applicable in varying degrees to GITO providers. Outsource providers and buyers must also have the knowledge and capability to understand and ensure compliance with appropriate CSER standards.

Additionally, the environmental impacts and costs of IT-related energy consumption, described above in Section 2.3.1, are rapidly becoming important issues for GITO. Outsourcing providers need the capabilities to monitor and manage the environmental impact of outsourcing.

### ***2.5.1 Socially Responsible Outsourcing (SRO)***

Socially responsible outsourcing (SRO) is an outsourcing model that is “a social business helping bright but marginalized people in poor regions find dignified jobs by expanding their access to markets” as defined by Samasource CEO Leila Chirayath Janah (2009, p. 24). Samasource defines its mission as to “reduce poverty by connecting marginalized people to training and remote work opportunities online” (Bras, Heyen et al., 2009). Typically, an SRO firm will be located in a marginalised region and will employ people from a disadvantaged population, for example uneducated women in India or Africa. SRO is a specific application of CSER in outsourcing. The concept of SRO is closely related to the use of information and communications technologies (ICT) for developing nations, sometimes referred to as ICT4D (Heeks and Arun, 2009). Another implementation of SRO, called rural-sourcing, locates outsourced services in remote areas of a particular country (Lacity, Rottman et al., 2010). The rural-source model has the benefit of keeping outsource workers within the national boundaries of the buyer, while still achieving lower costs through outsourcing. Finally, the Rockefeller Foundation, working with the Monitor consulting organisation has identified the concept of Impact Sourcing, a form of socially responsible outsourcing, “to create sustainable jobs that can generate step-function income improvement for those at the base of the pyramid, defined as individuals who live on annual incomes of less than \$3,000 of local purchasing power” (Nyoro, 2011, p. 2). SRO is not the focus of this research, but is acknowledged as a unique outsourcing model that is related to CSER in GITO.

## **2.6 Environmental Responsibility in Outsourcing**

As members of the global value chain, buyers expect outsource providers to be held to the same level of environmental responsibility that their customers expect of them, and therefore many buyers have increased their environmental responsibility expectations for providers. For example,

in July 2009 Wal-Mart introduced an environmental responsibility index to assess its 100,000 suppliers around the world, requiring them to report their environmental responsibility plans, including carbon disclosure. Wal-Mart is the largest private user of electricity in the US (Gunther, 2006, p. 45) and is intent on reducing its own environmental footprint as well as that of its suppliers. Walmart is doing this to lower its costs, for example reducing packaging and reducing fuel consumption, but also to respond to its customers who “frequently ask for [environmental] sustainability improvements” (Hoek and Johnson, 2010, p. 153). Nidumolu, Prahalad and Rangaswami (2009, p. 59) argue that organisations should “develop [environmentally] sustainable operations by analyzing each link in the value chain”, as Wal-Mart is doing, by examining all global suppliers. We posit that buyers will apply the same concepts to GITO providers.

Four specific environmental responsibility issues are of concern to the GITO industry. First, the power consumption of information communications technology (ICT) continues to increase with the proliferation of ICT in business. Large IT outsourcer providers consume significant electrical power to operate the ICT infrastructure. Electrical power usually requires the burning of carbon fuels which in turn produce greenhouse gases. In addition, the cost of electricity continues to rise as the number of servers and related equipment increase within the data centre. As a result many IT outsourcer providers are taking steps to source greener electricity and to reduce the amount of electricity used. Second, the volume of employee travel required for the management of global outsourcing is an environmental concern. Third, the availability and conservation of fresh water, for the large number of employees and communities in outsource provider delivery centres, is an environmental concern in India, a major GITO location. Finally, electronic waste (e-Waste) from end-of-life ICT technologies such as servers, PCs and communication devices, is a significant environmental issue. Table 2.1 below summarises these four environmental responsibility issues.

**Table 2.1: Four Environmental Responsibility Issues in GITO**

Outsource Provider Environmental Issues	Implications
1. Electrical power consumption in data centres	Increasing demand for electricity for ICT creates greenhouse gases (GHG)
2. Employee global travel	GHG created by global air travel
3. Availability and conservation of fresh water	Developing nations, where much outsourced work is performed, are constrained by limited availability of clean water
4. Growing volumes of e-waste	Recycling of obsolete ICT equipment is costly and potentially hazardous

### ***2.6.1 Energy Consumption and Greenhouse Gas Emissions***

Most GITO providers are major consumers of electrical power. The increasing power consumption by IT, which doubled from 2000 to 2005 according to the US Environmental Protection Agency (EPA, 2007), gives rise to two environmental concerns related to IT outsourcing. First, the cost of energy impacts IT operations. The 2009 Green Outsourcing Survey reported that 85% of the senior executives surveyed said that “the adoption of green technology is more likely the result of escalating energy costs than ecological altruism.” Second, most electricity generation produces greenhouse gases, which have been linked to global warming (IPCC, 2008). Lewis (2007, p. 808) estimated that 85% of global energy consumption “is represented by fossil energy, with oil, gas, and coal contributing roughly equal amounts”. He notes that “our energy problem lies in the effects caused by CO<sub>2</sub> produced when fossil fuels are burned”.

Data centres have an unrelenting appetite for energy. Koomey (2008, p. 6) found that “total power used by information technology equipment in data centers represented about 0.5% of world electrical consumption in 2005. When cooling and auxiliary infrastructure are included, that figure is about 1%”. Koomey posits that aggregate electricity for servers doubled over the period 2000 to 2005 both in the US and worldwide, and that almost all of this growth was the result of growth in the number of servers, with only a small part being attributable to increased power use per unit.

In the period of 2005 to 2010 Koomey found that “electricity used by data centres worldwide increased by about 56% from 2005 to 2010 instead of doubling as it did [from 2000 to 2005] while in the US it increased by about 36% instead of doubling” (Koomey, 2011, p. iii). He further estimates that electricity use by data centres in 2010 represents “about 1.3% of all electricity use for the world and 2% of all electricity use for the US” (Koomey, 2011, p. iii). Note that Koomey’s estimates do not include electricity use for ICT outside of data centres, such as desktop and laptop computers, local printers, servers and communication devices. Koomey attributes the reduction in electrical consumption to “the 2008 financial crisis, the associated economic slowdown and further improvements in virtualization [which] led to a significant reduction in actual server installed based by 2010” (Koomey, 2011, p. iii).

Laitner comments that all computer-related equipment and internet usage is responsible for “closer to 6 percent” of the US electrical consumption, “reflecting the continued investment in ICT technologies and systems” (Laitner and Ehrhardt-Martinez, 2008, p. 9). There is a wide variation in research data on how much ICT represents of total electrical power consumption, from a low of

1% (Kooimey) to a high of 6% (Laitner). Moreover, ICT is seen as a contributor “in reducing energy waste and increasing energy efficiency though-out the economy” (Laitner and Ehrhardt-Martinez, 2008, p. v). What is clear is that ICT proliferation over the last two decades has been significant and continues to grow, with an “eight-fold” increase in the number of PCs and a “325-fold increase” in Internet usage (Laitner and Ehrhardt-Martinez, 2008, p. 9), and the aggregate consumption of electricity by ICT devices inside and outside of data centres will continue to grow. The implication for outsource providers is that governments and regulators will increasingly examine and regulate electrical power consumption for ICT services. As evidence, the European Union has defined data centre energy standards, and the UK government has established a Carbon Reduction Commitment to reduce overall electrical power consumption. These two examples are described below.

The European Commission’s Institute for Energy’s “Code of Conduct on Data Centres Energy Efficiency” attempts to address the problem of growing data centre energy consumption. The code states that “The projected energy consumption rise poses a problem for European Union (EU) energy and environmental policies. It is important that the energy efficiency of data centres is maximized to ensure the carbon emissions and other impacts such as strain on infrastructure associated with increases in energy consumption are mitigated” (2008, p. 3). This voluntary code defines best practices and commitments for industry and governments. It is reasonable, and we posit that this code will be used by European buyers to evaluate their data centre outsource providers.

Several European countries have established policies for carbon emission reductions that have an impact on data centres. For example, the UK government created the Carbon Reduction Commitment (CRC) to reduce greenhouse gas emissions by at least 80% by 2050. According to the Department of Energy and Climate Change “The UK has passed legislation which introduces the world’s first long-term legally binding framework to tackle the dangers of climate change. The Climate Change Bill became law on 26 November 2008.” CRC will be mandatory for UK data centres that consume more than 6,000 MWh. CRC will result in mandatory public reporting of energy efficiency, plus incentives and penalties. (Department of Energy and Climate Change, 2011)

As governments enact legislation that mandates improved energy efficiency, most if not all organisations will be challenged to reduce their overall ICT carbon footprint. Data centres and other electricity-intensive ICT facilities will become obvious targets for CSER standards and legislation.

Global outsourcing does not solve the energy consumption problem, as it simply moves the problem from an in-house data centre to an outsourced facility, often in a distant global location. In the UK, outsourcing providers face penalties under the CRC legislation when contracted to undertake responsibility for a client's data centre because it will increase their carbon emissions. Similarly, a buyer who outsources their data centre to an offshore location will be acknowledged as having reduced carbon emissions in the UK even though the offshore GITO provider may have a worse carbon emission record. The UK National Outsourcing Association (NOA) calls for a single international uniform standard of measurement for carbon efficiency in global outsourcing, "a definitive green standard that all organisations can engage with ... to be internationally regulated and approved so that there can be a level playing field within the global market" (NOA, 2009, p.11). This statement from a professional association implies the importance of anticipating regulation of energy consumption and greenhouse gas emissions for the outsourcing industry.

### ***2.6.2 Human Environmental Impact – Travel and Water Consumption***

Global IT outsource providers have two additional environmental impacts that can be measured: the amount of travel (and related GHG emissions) and the amount of fresh water consumption by employees.

Air travel is a significant aspect of global outsourcing, especially when developing new business relationships. Researchers at Cranfield University (Mason, 2008, p. 21) found that 57% of business people will travel for new business relationships (e.g. to sell to a new IT outsourcing buyer), while day-to-day management and operations require far less travel. Given the global nature of outsourcing, flying is the predominant mode of travel used in outsourcing business. Mason and Miyoshi (2009, p. 138) state that air travel contributes significantly to an organisation's carbon footprint, and for service firms such as consultancies, "travel may account for as much as half of the company's carbon emissions." As will be described in the research interviews in Chapter 5, global IT outsource provider Infosys tracks individual employee carbon emissions, particularly air travel. This is one example of a GITO provider that is taking steps to reduce its own carbon emissions and in doing so improve its sustainability profile.

Regarding water, Jackson et al. (2001) found that per capita availability of fresh water will decrease as the human population grows faster than the increases in the amount of accessible water. For global IT outsourcers in areas of the world such as India where fresh water is not plentiful, this suggests that the conservation of water will become an important CSER issue. In many cases, outsource providers have hired thousands of personnel at global delivery centres,

creating significant water requirements. One Infosys outsourcing and training centre that we visited in Mysore, India, built on a green-field site, resembles a University or military campus and houses up to 10,000 employees. The outsource provider has committed to a water-neutral environment, so that all fresh water is captured in dedicated reservoirs and a significant proportion is recycled. Again, this is an example of a leading provider taking steps to improve its sustainability profile.

### **2.6.3 e-Waste**

A final GITO-related environmental concern is e-waste. Several jurisdictions have recognised the growing problem of e-waste and have enacted legislation that requires a planned and environmentally appropriate method for disposing of obsolete electronic equipment. In the United States, 19 states have passed legislation mandating e-waste recycling programmes. In Canada, the Ontario government enacted the Waste Diversion Act, which resulted in the industry-led Waste Electrical and Electronic Equipment Program (WEEE). This programme requires buyers of electronic equipment to pay an up-front disposal fee for equipment such as computers, printers, monitors, etc. California has a consumer electronic waste recycling fee similar to the Canadian programme.

In January 2003 the European Parliament enacted the WEEE Directive, which prohibits end-users from disposing of electrical and electronic equipment as household waste. To achieve this objective, producers of electrical and electronic equipment became responsible for treatment, recovery and financing aspects related to the recycling of their products. By 2009 all 27 European Union member states had implemented a national WEEE legislation (Westkämper, 2009).

## **2.7 Global Standards for CSER**

The challenges posed by GITO-related CSER issues are beginning to be addressed by “an increasing number of CSR standards, watchdogs, auditors and certifiers aiming at institutionalizing and harmonizing practices globally” (Crane, Matten et al., 2008). Several industries have created industry-specific CSER standards and codes of conduct. Often, these standards were developed in response to pressure from unions, NGOs and multi-stakeholder organisations. To date, the outsourcing industry has not defined CSER standards, but at least five global standards are potentially relevant:

1. The Global Reporting Initiative (GRI), which provides a consistent standard for reporting CSER activities

2. The Carbon Disclosure Project (CDP) which defines measurement and reporting guidelines for business-related carbon emissions (CDP, 2010)
3. The SA8000 from Social Accountability International (SAI), which defines global standards for working conditions (2008)
4. The United Nations Global Compact, which defines 10 universal CSER principles
5. ISO 26000, which defines a set of standard practices across all industries for CSER activities.

Researchers and NGOs have developed a set of measures to address the challenge of assessing CSER in various organisations. Some authors, e.g. (Willis, 2003), have predicted an increase in the quantity and quality of environmental reporting in response to demands from customer and investor stakeholders. A set of recognised global CSER standards is beginning to emerge, with five underlying voluntary standards.

GRI and CDP are two reporting standards that address CSER. The Global Reporting Initiative (GRI) was established in 1997 as an initiative of Ceres, a not-for-profit organisation formed to work with organisations to focus on sustainability issues including global climate change. GRI initially collected CSER reports from nine organisations in 1999; eleven years later, the 2010 GRI index identifies CSER reports from more than 1,800 organisations. GRI provides a “disclosure on environmental, social and governance performance” which “can be used to demonstrate organizational commitment to sustainable development, to compare organizational performance over time, and to measure organizational performance with respect to laws, norms, standards and voluntary initiatives” (GRI, 2011). GRI is now broadly recognised by many organisations as a standard for corporate responsibility and CSER reporting. It provides a public record of organisations that have voluntarily provided their CSER reports.

Second, the Carbon Disclosure Project (CDP) is an NGO which collects and reports greenhouse gas emission data from over 2,500 organisations to help them establish and achieve target carbon emission reductions. The number of CDP-participating organisations increased from 235 in 2003 to 2,456 in 2009, a tenfold increase in six years.

The next three global CSER standards do not have the annual reporting requirements that are part of the above CSER standards, GRI and CDP. Instead, participating organisations are certified or comply with the stated standards, which are SA8000, the UN Global Compact and ISO 26000.

The third global CSER standard, SAI’s SA8000 has been adopted at almost 1,700 sites around the world. Much of the rationale for SAI came from the 1990s’ realisation that low-cost “sweat-shops”

and child labour were frequently used to produce global branded products that were both fashionable and expensive (Klein, 2000; Zadak, 2004). SAI certification assures consumers that products and services are delivered from facilities with fair working conditions for employees.

A fourth set of CSER standards can be found in the UN Global Compact, which is “a strategic policy initiative, for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption” (UN, 2008). It is focused on businesses and requires CEO endorsement. The Compact’s overarching mission is to help build a more sustainable and inclusive global economy. GRI and the UN Global Compact have announced an agreement (UN, 2010) whereby the 5,800 business signatories to the UN Global Compact will agree to use the GRI CSER guidelines, which will increase further the number of GRI annual reports.

A final set of CSER standards have been defined by the International Standards Organisation (ISO), contained in ISO 26000 which is an overall standard for social responsibility. This standard provides a guide for organisations voluntarily adopting CSER practices. ISO 26000 addresses core CSER subjects including governance, human rights, labour practices, the environment, fair operating practices, consumer issues, community involvement and development. With participation from about 80 countries and many stakeholder groups, it is expected that ISO 26000 will be recognised as a universal standard across most industries. ISO 26000 was ratified as a voluntary standard in 2010, having been in development since 2005.

## **2.8 Theoretical Frameworks**

This section presents three theoretical frameworks. The first model, stages-of-growth, describes increasing levels of maturity as organisations adopt CSER. A frequently cited stages-of-growth author is Richard Nolan. The second framework, defined by Michael Porter and Mark Kramer, is the Responsive-Strategic CSR model which provides a framework for understanding motivation for organisations that embrace social and environmental responsibility in business relationships. The third framework addresses the role of trust in business relationships, defined by Roy Lewicki and Barbara Bunker.

The stages-of-growth model is used in this research to understand how and when organisations can move from one level of CSER maturity to the next. The Responsive-Strategic CSR model is used to understand how buyers and providers will behave with social and environmental opportunities and requirements. By adding the concept of trust, which is portrayed as a stages-of-growth concept, to the Responsive-Strategic CSR model, we create a new model for GITO called

Collaborative CSER. This new model recognises the importance of trust between an outsourcing buyer and provider and defines how collaboration on social and environmental projects can improve trust and create shared value for the buyer, provider, society and the environment. Collaborative CSER and shared value can be attained in outsourcing relationships that are at the mature level of the stages-of-growth model. The implications of the Collaborative CSER model are that not all outsourcing relationships will be able to attain the shared value benefits, but that the outsourcing relationships that do will benefit in several ways such as improved productivity, increased communication and reduced attrition.

### ***2.8.1 Stages of Growth Model***

The first theoretical model is the stages-of-growth model. Richard Nolan is widely credited with introducing the concept of stages of growth to the management of computer resources more than 35 years ago. Nolan's original model (Nolan, 1973) predicts the change of IT focus from cost reduction in accounting applications (stage 1) to integrated information management through database applications (stage 4). The model allows organisations to predict different goals and management expectations for IT resources at different stages. The success and durability of the stages model can be seen in the continuing academic research and practitioner discussion since Nolan's first articles (Nolan, 1973; 1974; 1979).

King and Kraemer have critiqued the stages of growth model. They challenge the basic assumptions of the model, such as the use of IT budgets as a surrogate measure for managerial strategies and organizational learning curve (King and Kraemer, 1984, p. 470). They suggest that demand side factors should be considered in the model, and conclude that although the model is insightful, "the Nolan model does not ring true" (p. 473). They conclude with an acknowledgement that the Nolan model provides an interesting and testable hypothesis and call for "future research [and] the creation of improved models that avoid the problems that are evident in the Nolan model (p. 474).

In response to this critique, Galliers and Sutherland(1991) reviewed the stages of growth models from different authors, citing the Nolan model as the "seminal influence" and "one of the 15 most cited by information systems researchers". Galliers and Sutherland evaluate stages models postulated by Earl (1983), Bhabuta (1988) and Hirschheim et al. (1988) and then propose a more broadly focused model "incorporating strategic, organisational, human resource and management considerations" that would address the "major inadequacies of the early Nolan models" which are the lack of organizational and management focus (1991, p. 96). The Galliers and Sutherland

model uses the McKinsey Seven 'Ss' to examine growth of IT maturity in an organization. The authors define a six stage model that is more robust than Nolan's, moving from 'Ad-hocracy' (stage one) to Integrated harmonious relationships (stage six). The purpose of the model is to outline how organizations should move from early stages of development to more mature stages, while laying appropriate groundwork to better ensure success at later stages. These concepts will be used in Chapter 5 to describe how outsource providers can move from early stages of CSER, with appropriate groundwork, to more mature CSER stages.

Additionally, the stages-of-growth model has been applied to various business areas and organisations outside of IT, such as small business (Scott and Bruce, 1987) and government (Klievink and Janssen, 2009). Recently, Nidumolu et al. (2009) have described five stages for using CSER as a key driver for innovation and growth. In the specific domain of GITO, Carmel and Agarwal (2002, p. 66) "suggest that offshore IT sourcing follows a stages model, based on increasing maturity and sophistication in the offshore effort." The Carmel and Agarwal model can be used by IT executives to benchmark activities and understand how "to leverage offshore resources in delivering their IT solutions." Gottschalk and Solli-Saether (2006) applied the stages of growth model for IT outsourcing relationships, suggesting that three distinct stages of Costs, Resources and Partnership each have eleven critical success factors which can be measured and benchmarked. Also, Adalakun (2004) describes a five stage IT outsourcing model based on the Tuckman model of team formation, where outsourcing goes through stages of Forming, Storming, Norming and Performing. We draw on the stages of growth approach as it offers a robust means to identify, classify and assess CSER maturity in outsourcing. This presents a means for practical assessment of a outsource providers' stage of CSER maturity and enables planning for the next stage of CSER growth which we will explore in Chapter 5. In addition, the stages-of-growth model is used to understand the progression of trust in an outsourcing relationship, from early stages to more mature levels, as will be described below in Section 2.8.3 and which will be used to explain collaborative CSER in Chapter 6.

### ***2.8.2 Strategic CSR in Outsourcing***

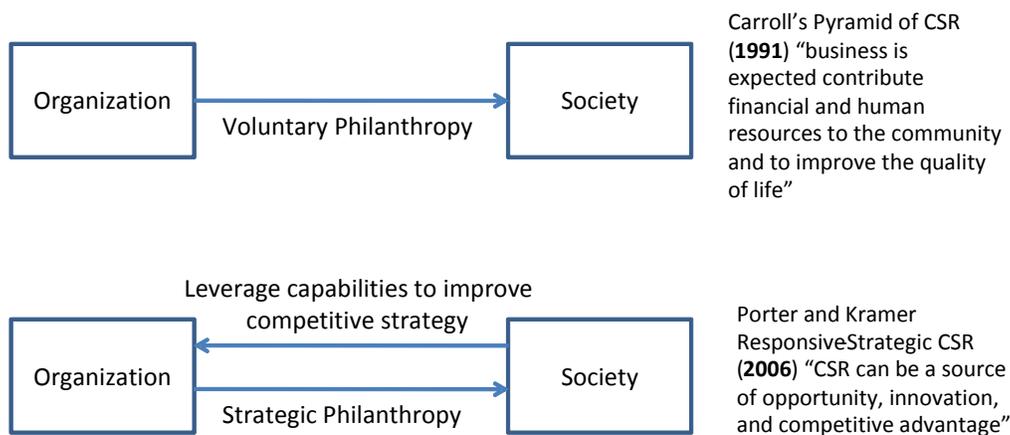
Porter and Kramer (1999; 2002; 2006; 2011) present a model that they claim enables firms to better focus their efforts by integrating corporate social responsibility activity into business practices. The authors stress the interdependence of business and society, and suggest that corporate social responsibility should be focused not on generic concerns but instead in the way most appropriate to each firm's strategy. They write that "Each company can identify the

particular set of societal problems that it is best equipped to help resolve and from which it can gain the greatest competitive benefit” (2006, p. 92). Another point which they raise is that:

“efforts to find shared value in operating practices and in the social dimensions of competitive context have the potential not only to foster economic and social development but to change the way companies and society think about each other.” NGOs, governments, and companies must stop thinking in terms of “corporate social responsibility” and start thinking in terms of “corporate social integration” (Porter and Kramer, 2006, p. 92).

The Porter and Kramer strategic CSR model advances Carroll’s Pyramid of CSR (1979; 1991) with a more focused assessment of how to consider philanthropic responsibilities. Carroll recognised that business organisations are expected to provide voluntary philanthropic contributions to society, but they must first be profitable. Carroll’s work was a response to the views of Milton Friedman (1970), who stated simply that “the social responsibility of business is to increase its profits”. Carroll agrees with Friedman that corporations must be profitable, and his model depicts economic obligation as a foundation for CSR. Although Carroll argues that philanthropic CSR is desirable, Porter and Kramer recommend that organisations should distinguish between reactive CSR activities and CSR activities that create, for the organisation and for society, strategic value, i.e. business and social initiatives with benefits that are large and distinctive. Figure 2.5 below depicts the evolution of Carroll’s voluntary philanthropic model of CSR to Porter and Kramer’s strategic philanthropy model.

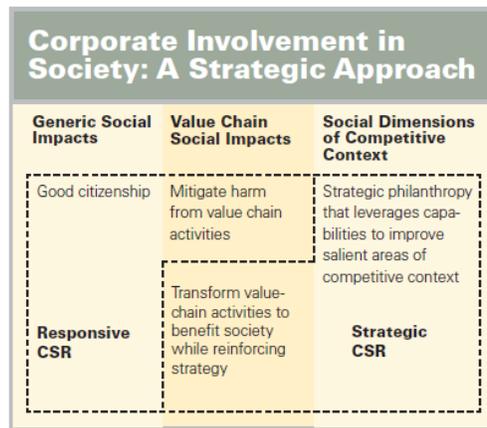
**Figure 2.5: The Evolving CSR Model from Carroll (1991) to Porter and Kramer (2006)**



The Porter and Kramer framework has two major components that aim to enable the selection of appropriate initiatives. The first is based on the fit of particular initiatives to the three areas of concern (Figure 2.6). Each organisation must select issues that intersect with its particular business, they write: “The essential test that should guide CSR is not whether a cause is worthy but whether it presents an opportunity to create shared value – that is, a meaningful benefit for society that is also valuable to the business” (Porter and Kramer, 2006, p. 84). The frame divides the social issues affecting an organisation into three categories, generic social impacts, value chain social impacts and social dimensions of competitive context in order to enable choices to be made to narrow down the set of social issues that are both important and strategic for the business. Strategic means “choosing a unique position – doing things differently from competitors in a way that lowers costs or better serves a particular set of customer needs” (p.88). Important means the “small number of initiatives whose social and business benefits are large and distinctive” (p.88). Generic social issues may be important to society but are neither significantly affected by the organisation’s operations nor influence the organisation’s long-term competitiveness. Value-chain social impacts are those that are significantly affected by the organisation’s activities in the ordinary course of business. Social dimensions of competitive context are factors in the external environment that significantly affect the underlying drivers of competitiveness in those places where the organisation operates. For Porter and Kramer, candidate social issues should be sorted into these three categories and ranked in terms of potential impact on the organisation’s competitive position.

The second main component of the Porter and Kramer framework is establishing whether the social issue is responsive or strategic. Responsive focuses on compliance, of “acting as a good corporate citizen”, attuned to the evolving social concerns of stakeholders. Responsive CSR is similar to the voluntary philanthropy identified by Carroll. In GITO, examples would be compliance with UN Global Compact and reporting to the Global Reporting Initiative. Strategic projects are aligned initiatives where the social and business benefits are “large and distinctive”.

**Figure 2.6: Responsive-Strategic CSR Framework (Porter and Kramer 2006, p. 89)**



***Critiques of the Porter and Kramer Model***

The Porter and Kramer model of Strategic CSR is not without criticism. Tencati and Zsolnai comment that “Porter and Kramer’s contributions to CSR seem to be only an add-on element to the traditional [competitive strategy] framework ... CSR is only considered an additional instrument to achieve a better competitive performance.” The authors advocate a collaborative strategy model in contrast to Porter’s competitive strategy model, where “corporate social responsibility is subordinated to and used as an instrument for economic competitiveness” (Tencati and Zsolnai, 2009, p. 369).

Rendtorff critiques Porter, as “the grand old man of strategy” (p. 96) who has tried to use Friedman’s approach to integrate CSR and strategic management, arguing that the social responsibility of the corporation is to increase profits. In line with Friedman’s approach, Porter and Kramer’s view that CSR should be positioned as a mechanism to increase profits appears to be counter-intuitive to the purpose of CSR (Rendtorff, 2009).

The Economist (Anonymous, 2011) has also criticised Porter’s shared value concepts, hinting that the idea is not new: “There is a striking similarity between shared value and Jed Emerson’s concept of blended value... There is also an overlap with Stuart Hart’s 2005 book, ‘Capitalism at the Crossroads’”. The Economist article charges that the Porter model is “a pious hope” with a “paucity of evidence.”

In response to these criticisms the researcher acknowledges that the Strategic-Responsive CSR model is not perfect, and perhaps builds on concepts previously identified by others. However, the balance of shared social value and competitive business positioning makes the Porter and Kramer model attractive to outsource buyers and providers, most of which operate in competitive

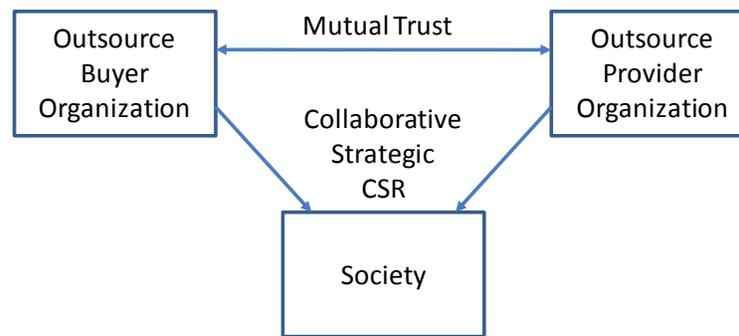
business environments. The model is understandable and applicable, as we found in the Co-operative Financial Services (CFS) case study described in Chapter 6. Moreover, at Northern Trust we found that the outsource buyer is directly applying the Porter and Kramer model to their outsourcing relationship to build a formal collaborative CSER model with Tata Consulting Services, implying that the Porter and Kramer model is applicable and useful in the context of GITO.

### ***Building on the Porter and Kramer Model***

As will be described in Chapter 6, Strategic CSER in outsourcing is more complicated than the models above because of the relationship between the buyer and provider, and the relationship between each of those and society. Figure 2.7 below depicts a model that evolves from Figure 2.5, showing the three-way relationship between provider, buyer and society. As suggested by Porter and Kramer (2006) there is strategic value to society as an outcome of collaborative CSER, which will be the benefit that is provided to a segment of society or to the environment.

The concept of mutual trust in Figure 2.7 is defined by the Lewicki and Bunker model, where the most mature level of trust, identification-based trust, develops between business organisations over time and with intent, as depicted in Figures 2.8 and 2.9 below. In addition to the shared value that Porter and Kramer identify, there is an additional value for the outsource provider and buyer, which is mutual trust. As will be described in Chapter 6, this higher level of trust provides benefits to the outsourcing relationship such as increased communication, improved productivity and decreased attrition. The outsourcing relationship benefits are not foreseen by the Porter and Kramer model, and are an important contribution of the Collaborative CSER model described in Chapter 6.

**Figure 2.7: Strategic CSR in Outsourcing**

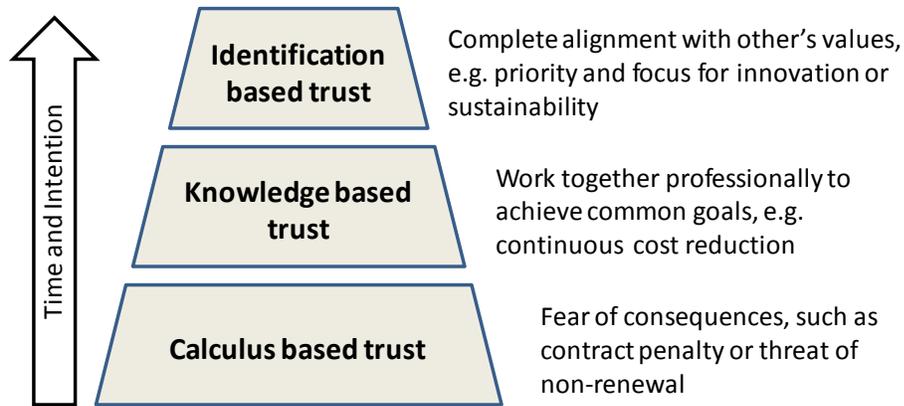


### **2.8.3 The Role of Trust in Outsourcing**

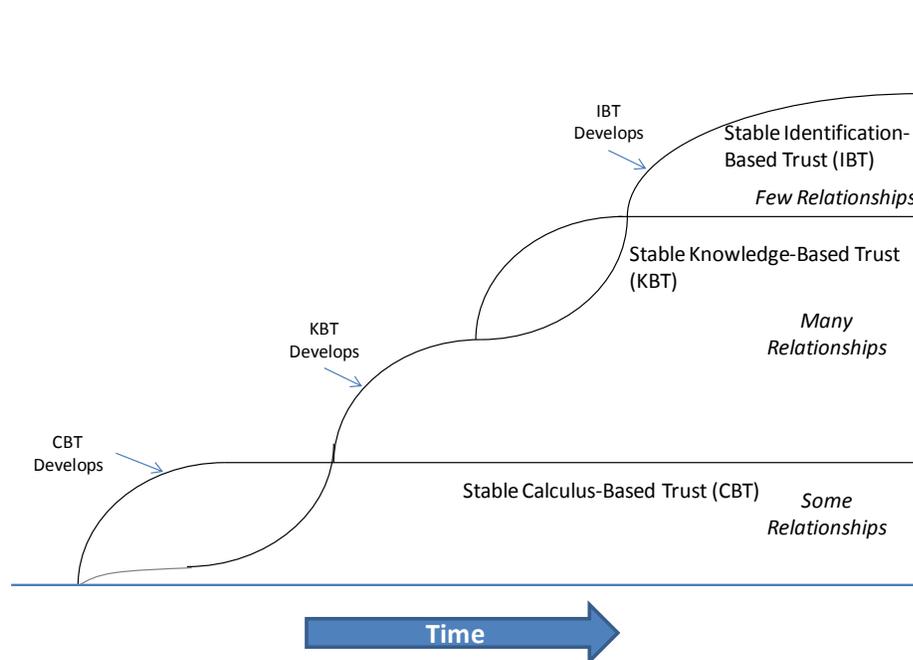
Trust between provider and buyer is important to building successful outsourcing relationships. Kern and Willcocks discuss the cultural adaptation required to create a smooth outsourcing working relationship, where the adaptation is “largely a task of communications, cooperation and developing trust in the counterpart”, with adaptations taking place in “attitudes, rules, norms, knowledge and corporate strategies” (Kern and Willcocks, 2000, p.330). They discuss the role of social and personal bonds between individuals as being important to the relationship, and note the importance of shared cultural beliefs and values: “the development of the relationship depends on social and personal bonds” so much so that alleviation of conflicts, achieving satisfaction and continuing adaptation “all depend to a certain extent on the closeness of the bonds between individuals”. Sabherwal agrees, stating that although trust is difficult to develop in outsourced IT development projects, there is a strong “need for trust in these projects, which frequently require the cooperation of strangers in tough, high-stress situations” (Sabherwal, 1999, p.81). Sabherwal builds on a three-level trust model defined by Lewicki and Bunker (1996) which consists of calculus-based trust, knowledge-based trust and identification-based trust. Calculus-based trust “is based on assuring consistency of behaviour; that is, individuals will do what they say because they fear the consequences of not doing what they say”. Knowledge-based trust “is grounded in behavioural predictability – knowing the other sufficiently well so that the other’s behaviour is anticipatable”. Knowledge-based trust occurs when one has enough information about others to understand them and accurately predict their likely behaviour. Identification-based trust “is based on a complete empathy with the other party’s desires and intentions. At this third level trust exists because each party effectively understands, agrees with, empathy empathises with, and takes the other’s values because of the emotional connection between them and thus can act for each other”. It is this third level of trust that buyers and providers strive to

achieve in the outsourcing relationship because of the value it will create. The Lewicki and Bunker levels of trust are depicted below in Figures 2.8 and 2.9.

**Figure 2.8: Levels of Trust (Adapted from Lewicki and Bunker 1996)**



**Figure 2.9: Stages of Trust Development (Lewicki and Bunker 1996, p. 124)**



Lewicki and Bunker note that this is not a normative model and that the stages are not necessarily better than each other. Different relationships have different purposes, and “many business and legal relationships begin and end in calculus-based trust” (Lewicki and Bunker, 1996, p. 137). We will explore this thought further in Chapter 6 when we note that not all outsourcing relationships are necessarily suited for CSER collaboration.

Lewicki et al (2006) have further evaluated the model in Figure 2.9 above to consider additional considerations such as distrust and the concept of relational trust. In this research Lewicki examines what causes the level of trust to change over time. As will be described in Chapter 6, defined characteristics mark the identification-based trust level, and this is achieved by a small subset of relationships.

Many authors (Sabherwal, 1999; Kern and Willcocks, 2000; Das and Teng, 2001; Heiskanen, Newman et al., 2008; Lee, Huynh et al., 2008) agree on the importance of the role of trust in outsourcing relationships, and trust is an area for additional research. Different categories of trust have been described, including behaviour trust, identification-based trust, and goodwill trust. As will be described in Chapter 6, using the CSER theoretical frameworks described Porter and Kramer, the role of CSER in building trust, as theorised by Lewicki and Bunker, becomes an important new part of the outsourcing relationship.

The Lewicki and Bunker model of trust is conceptually simple to understand and apply. For example, the model has been readily used by others (Sabherwal, 1999) to explain outsourcing relationship trust. However the model is only one theoretical frame in a large discourse on trust in business. The model has been chosen for this research because of its applicability. Further development of the concept of trust in outsourcing relationships is certainly a topic for additional research.

## **2.9 Chapter 2 Conclusion**

This chapter has created a foundation for the rest of the thesis. The key discussions in CSR, sustainability and outsourcing have been presented. The relevant CSER global standards have been described, and three theoretical frameworks have been introduced which will support the research findings and analysis in Chapters 4, 5 and 6.

The next chapter will discuss the research methods and approach and will identify several relevant research methods articles and reference books that have guided the research.

## **Chapter 3. Research Methodology**

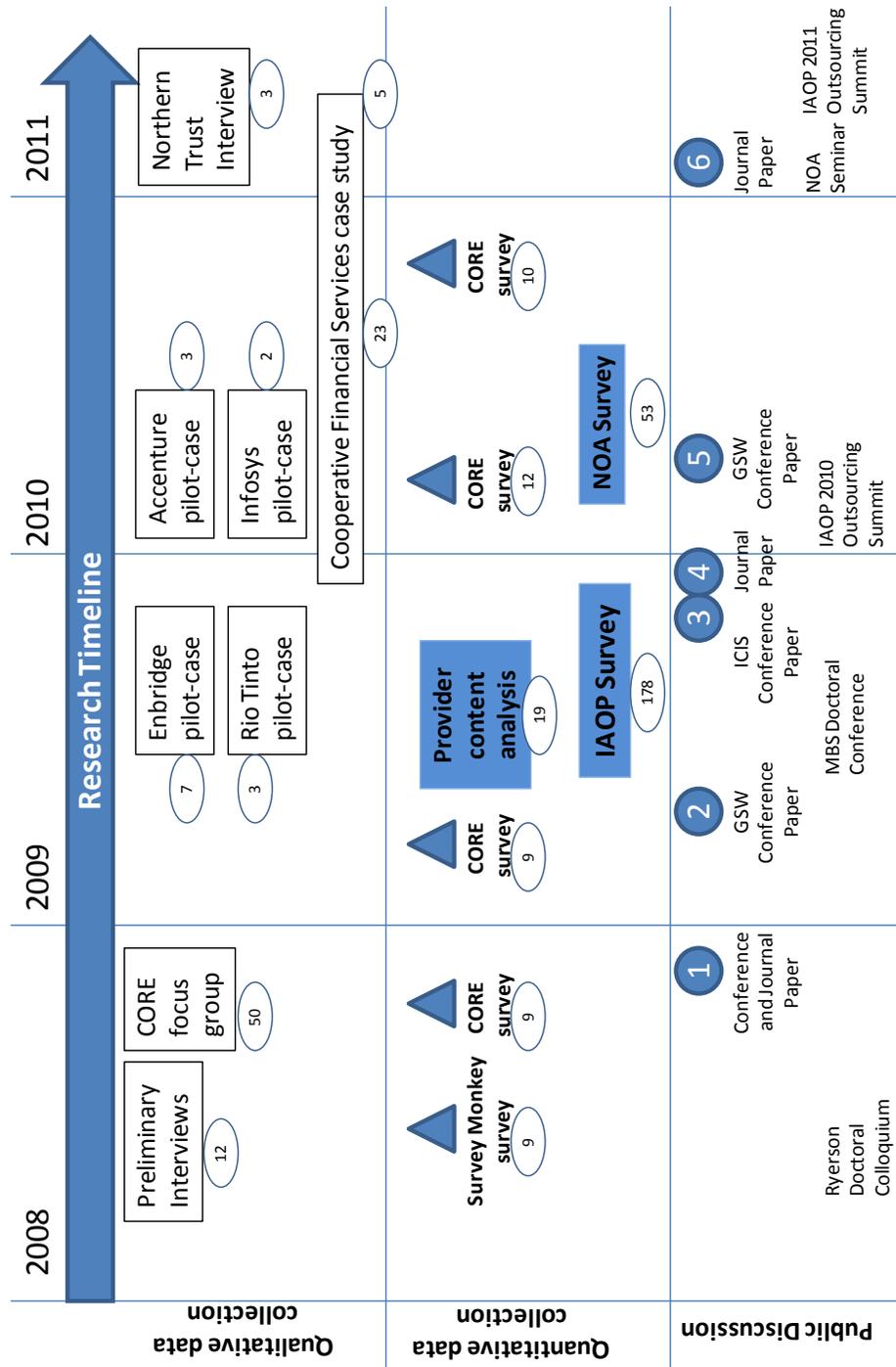
### **3.1 Introduction**

The previous chapter described the underlying literature and theoretical frameworks for CSER and global IT outsourcing. This chapter presents the methods used in the research study.

The research design considers the ongoing discussion in the Information Systems (IS) research community between the positivist paradigm, typified by quantitative, scientific methods and the interpretivist paradigm, which often relies on qualitative methods such as interviews and case studies. A third paradigm, critical realism, is also discussed and considered as a philosophical foundation for this research. The research study described in this thesis employs mixed methods, relying primarily on the use of qualitative interviews, a focus group and case studies which are augmented with quantitative surveys and content analysis. Semi-structured interviews with outsourcing buyers, providers and advisors initiated the research. Four exploratory pilot case studies and one explanatory case study provide the qualitative foundation for the research. Surveys were conducted through three professional outsourcing organisations: The Centre of Outsourcing Research and Education (CORE); the International Association of Outsourcing Professionals (IAOP); and the National Outsourcing Association (NOA), providing a total of 280 responses. A final confirmatory interview was conducted with an organisation, Northern Trust, that is beginning to implement CSER in outsourcing in a manner that is similar yet independent to that explored in the explanatory case study.

This chapter is organised as follows. First, the ontological and epistemological perspectives for IS research are discussed to establish the study's philosophical foundations. This includes a discussion of the paradigms of positivism, interpretivism and critical realism. Second, alternative research methodologies and the rationale for selecting the chosen research design are discussed. Third, the research methodology is presented, with an explanation of how mixed research methods were used. The fourth section explains the research design which is followed by a description of the data collection methods and activities. The chapter concludes with a critical assessment of the research approach. Figure 3.1 on the following page depicts the research timeline, which began in 2008. The white boxes identify the qualitative interviews and case studies. The shaded triangles and boxes the middle of the timeline depict the timing of the quantitative surveys and the content analysis. Numbers in the small ellipses indicate the number of interview participants or the number of survey respondents.

Figure 3.1: Research Timeline



Conference Papers and Journal Publications Identified on Research Timeline:

1 – Conference on IS Applied Research; Journal of IS Applied Research (Babin, 2008)

2 – Global Sourcing Workshop (GSW), Keystone Colorado, 2009

3 –International Conference on Information Systems (ICIS), Phoenix Arizona, 2009

4 – MIS Quarterly Executive (Babin and Nicholson, 2009)

5 – Global Sourcing Workshop (GSW), Zermatt Switzerland, 2010

6 – Strategic Outsourcing: an International Journal (Babin and Nicholson, 2011)

## **3.2 Research Philosophical Foundations**

This first section explains the philosophical foundations that underpin this research project. Since the purpose of research is to create knowledge, ontological (how we view the world) and epistemological (how we know) perspectives must be understood and biases declared. We examine our own philosophical orientation before we begin the research to understand our view of the world, to reflect on how we know what we know, and how this research will create knowledge that is useful for others. In the context of Management Information Systems (MIS), Walsham (1995, p. 376) explains that the purpose of the philosophical foundation is “to critically examine the underlying assumptions and theoretical constructs which shape our understanding of MIS, and thus its practice.”

### **3.2.1 *Ontology***

In this section we describe ontology from the perspectives of philosophy, business research and IS research.

The concept of ontology, the study of being or reality, was perhaps first described by Greek philosophers. Plato describes the allegory of the cave in *The Republic*, where he defines the concept of universal forms which exist regardless of our ability to perceive or understand them. (Plato, p. 230) Plato was an ontological objectivist, who viewed the world as reality that consists of objects or forms which exist regardless of our ability to see them. Plato’s knowledge, or epistemology, consists of improving our ability to perceive and understand these universal forms.

Many centuries later, for the purpose of business research, Bryman and Bell (2007, p. 22) describe ontology as being concerned with the nature of social entities. The key ontological issue is whether to consider social entities as objective entities “that have a reality external to social actors” or whether they are “social constructions built from the perceptions and actions of social actors”. The two ontological orientations, depicted in Table 3.1, are objectivism, which asserts

that organisations and culture exist independently of social actors, and constructionism, which asserts that organisations and culture are produced through social interaction and are in a constant state of revision. Objectivism is also referred to as realist ontology, with the understanding that reality exists independent of the observer, similar to Plato's universal forms.

In the field of IS research, Orlikowski and Baroudi (1991, p. 7) state that ontological beliefs "have to do with the essence of the phenomena under investigation; this is, whether the empirical world is assumed to be objective and hence independent of humans or subjective and having existence only through the actions of humans in creating and recreating it". An objectivist view would state that social entities exist regardless of whether an individual recognises that entity or not. On the other hand, a constructionist view states that without the participation of individuals, the social entities would not exist. In the terms of this thesis, objectivists would argue that outsourcing as a concept exists independent of those who interpret it, while constructionists believe that outsourcing only exists as it is interpreted and evolved by individuals and groups.

### ***3.2.2 Epistemology***

Epistemology is "the ways that humans create their knowledge about the social world in which they live" (Denscombe, 2002, p. 5). Others describe epistemology as the theory or philosophy of knowledge (Pritchard, 2006), that is concerned with how we know what we do and what justifies us in believing what we do. As Bernecker and Dretske point out, knowledge is distinguished "from mere true belief and lucky guessing [because] it is based on some form of justification, evidence or supporting reasons (Bernecker and Dretske, 2000, p. 3)".

Bryman and Bell (2007) use an epistemological and ontological orientation to define the differences between quantitative and qualitative research, as illustrated below in Table 3.1. The authors suggest that quantitative research methods support a positivist epistemological orientation, and an objectivist ontological view, that the reality (or universal form) is waiting to be discovered through scientific methods. Theory is posited, tests are devised and the objects are deduced. This model typifies natural science research in physics, chemistry, biology etc. On the other hand, qualitative techniques often, but not exclusively, support an interpretivist epistemology and a constructionalist ontological view. The qualitative approach is to induce theoretical concepts which are generated during the research. Bryman and Bell note that the distinction between qualitative and quantitative research is a useful and current way to categorize research methods, but is not universally accepted. Some suggest the distinction is "no longer

useful or even simply false” (Layder, 1993, as cited by Bryman and Bell, 2007, p. 28). Similarly, Yin (2009) notes that “any contrast between quantitative and qualitative evidence does not distinguish the various research methods” (p.19).

**Table 3.1: Research Strategies (Bryman and Bell 2007, p. 28)**

	<b>Quantitative</b>	<b>Qualitative</b>
Principal orientation to the role of theory in relation to research	Deductive; testing of theory	Inductive; generation of theory
Epistemological orientation	Positivism – natural science model	Interpretivism
Ontological orientation	Objectivism	Constructionism

The next sections provide a fundamental explanation of positivism, interpretivism and critical reality, which according to Denscombe (2002, p. 6) “remain shorthand terms that encapsulate the major schism within approaches to social research”.

### **3.2.3 Positivism**

In the positivist paradigm, knowledge is observable and measurable; that which is not observable or measurable cannot be knowledge. French philosopher Auguste Comte (1798-1857) defined the theory of positivism with the publication of “The Course in Positive Philosophy”, in which he states that human knowledge passes through three stages: theoretical or fictitious, metaphysical or abstract and scientific or positive. In the positive state, the mind applies itself to the study of the laws of the universe, and “Reasoning and observation, duly combined, are the means of this knowledge”. He further states that “there can be no real knowledge but that which is based on observable facts”. The purpose of positivist philosophy “is to discover the laws of phenomena” (Martineau, 1868).

The scientific method is the hallmark of the positivist model: universal laws of cause and effect with mechanistic, repeatable models that can be discovered through experimentation. The natural sciences, such as astronomy, biology, chemistry and physics, have demonstrated the value of the scientific method, creating a world that humans can build, alter and control. In describing IS epistemology, Hirschheim (1992, p. 33) states that positivism is “the study of human phenomena

[which] should reflect the methods used in physical science” and is “based on five pillars: 1) the unity of the scientific method; 2) the search for human causal relationships; 3) the belief in empiricism; 4) the value-free nature of science (and its process); and 5) the logical and mathematical foundation of science”. He concludes that positivism “postulates that the universe comprises objectively given, immutable objects and structures. These exist as empirical entities, on their own, independent of the observer’s appreciation of them”.

Positivism is the application of the natural science research model to the investigation and explanation of social phenomena and the social world (Denscombe, 2002). With this orientation, positivists expect that an objective social reality exists, as natural universal laws, and can be examined and explained through scientific experimentation. Orlikowski and Baroudi (1991, p. 5) claim that “[p]ositivist studies are premised on the existence of a priori fixed relationships within phenomena which are typically investigated with structured instrumentation. Such studies serve primarily to test theory, in an attempt to increase predictive understanding of the phenomena”. Positivist researchers play a detached, neutral role in the investigation, without intervention in the phenomenon of interest.

The positivist approach to social research has limitations. For example,

strict application of the positivist natural findings in social science research (including IS research) has restricted the subject matter of inquiry. A dimension of the subject matter that social scientists examine, that natural sciences do not examine, is what the field of phenomenology calls the life world... [which] is the world of consciousness and humanly created meanings. (Ngwenyama and Lee, 1997, p. 149)

And although social research can examine the measurable costs and benefits of CSER, human motivations such as the desire to contribute to society, to make a difference, to exercise a social conscience, etc., are difficult to measure using a positivist approach. As Hirschheim (1992) comments, although positivism has enjoyed great success, especially in the physical sciences, “[i]ts application in the social sciences has, however, been less than spectacular”.

### ***3.2.4 Interpretivism***

Interpretivism is a rejection of the positivist approach to the study of social phenomena. As such, interpretivism is also referred to as anti-positivism or non-positivist. Interpretivists argue that the

positivist approach is unsuited for social phenomena; social phenomena are not governed by the universal laws that determine the natural world. Several authors have argued that interpretive research is an important approach to understand the human and organisational aspects of information systems (Walsham, 1995; Klein and Myers, 1999).

Interpretivism means that “[s]ocial reality is something that is constructed and interpreted by people – rather than something that exists objectively ‘out there’ ... the social world does not have the tangible material qualities that allow it to be measured, touched or observed in some literal way.” Moreover, “[I]nterpretivists tend to focus their attention on the way people make sense of the world and how they create their social world through their actions and interpretations of the world” (Denscombe, 2002, p. 18). Bryman and Bell (2007, p. 17) add that interpretivists:

share a view that the subject matter of the social sciences – people and their institutions – is fundamentally different from that of the natural sciences. The study of the social world therefore requires a different logic of research procedure, one that reflects the distinctiveness of humans as against the natural order.

IS researchers have debated the merits of interpretivism over the last two decades. Hirschheim (1992) identifies Wilhelm Dilthey (1833-1911) as the principal architect of the anti-positivist movement, suggesting that life cannot be understood as a machine, but “needed to be viewed within the context of a ‘philosophy of life’”. In examining the study of Information Technology (IT) in organisations, Orlikowski and Baroudi (1991, p. 5) defined interpretive studies as those which “assume that people create and associate their own subjective and intersubjective meanings as they interact with the world around them”. Furthermore,

interpretive studies were evidence of a non-deterministic perspective where the intent of the research was to increase understanding of the phenomenon within the cultural and contextual situations; where the phenomenon of interest was examined in its natural setting and from the perspective of the participants; and where the researchers did not impose their outsiders’ a priori understanding of the situation.

Myers (1998) states that “[i]nterpretive studies generally attempt to understand phenomena through the meanings that people assign to them”. Similarly, Walsham’s (2006, p. 376) view of

interpretivism is that “our knowledge of reality, including the domain of human action, is a social construction by human actors. Our theories concerning reality are ways of making sense of the world and shared meanings are a form of intersubjectivity rather than objectivity”. He considers interpretive research in information systems to be a well established research approach that starts “from the position that our knowledge of reality, including the domain of human action, is a social construction by human actors”. Klein and Myers (1999, p. 68) add that “interpretive research does not subscribe to the idea that a pre-determined set of criteria can be applied in a mechanistic way”. As such, interpretivism requires multiple perspectives, to understand the various interpretations and meanings from different persons and groups. In Section 3.4 below we discuss how triangulation was used in the research, and which requires different methods, perspectives and sources of data to develop a comprehensive picture of the phenomenon being interpreted.

Within the IS research community there has been an increasing call for and appreciation of interpretivist research. Galliers and Land (1987) suggest that “the scientific paradigm is not the only, nor indeed always the most appropriate basis for our [IS] research” and that “it is more appropriate to extend the focus of study to include behavioural and organisational considerations ... to improve the effectiveness of IS implementations in organisations and to assess the impact on individuals or organisations”. Walsham (1995) notes that “there is a need for much more work from an interpretive stance in the future, since human interpretations concerning computer-based information systems are of central importance to the practice of IS and thus to the investigations carried out by IS researchers”. Walsham clearly favours “interpretive case studies [which] make a valuable contribution to both IS theory and practice”. Similarly, Lee (1999) argues that IS research should move beyond the positivist approach, to emulate research conducted in professions such as medicine and law. He observes that “inquiry in the natural sciences produces knowledge about what the world is; inquiry in the professions produces knowledge about how to intervene in the world and change it in order to satisfy real world needs”. Finally, Chen and Hirschheim note that in information systems research, “alternative paradigms such as interpretivism have emerged in the field and have become more widely accepted” (Chen and Hirschheim, 2004, p. 198).

Interpretivism does have limitations. A subjective bias in the observer may be difficult to acknowledge and the repeatability of the research may be equally difficult. Two researchers, with different backgrounds could come to different interpretations of the same data for situation. The generalisability of interpretivist research is subject to challenge.

### **3.2.5 Critical Realism**

Critical realism (CR) is an emergent paradigm in information systems, with a 2011 MIS Quarterly (MISQ) Call for Papers to extend CR as a robust framework to better understand contemporary information systems (2011). Roy Bhaskar, the founder of the critical realist movement, states that his philosophical goal with CR is “to resolve and explain an old question that dominates philosophical discussions on the social sciences ... to what extent can society be studied in the same way as nature?” (Bhaskar, 1979, p. 1). A realist believes that a reality exists regardless of individual awareness and reality awaits discovery. The positivist paradigm holds that the scientific approach can be used to objectively discover reality; the critical realist acknowledges the problems of our ability to know or measure reality with certainty. As Bryman and Bell (2007, p. 17) state, realists believe that “there is a reality that is separate from our description of it”. Mutch (1999, p. 328) defines critical realism as “a realist ontology which posits the existence of elements of the social world which exists despite or regardless of our current state of knowledge ... Critical realism accepts that we know the world through language but that language does not define the totality of the world”. Easton (2010) states that critical realists assume “that there is a reality but that it is difficult to apprehend ... we will always be surmising about the nature of the real”. Finally, Bryman and Bell (2007, p. 18) state that “critical realists unlike positivists are perfectly content to admit into their explanations theoretical terms that are not directly amenable to observation”.

The critical realist advocates multiple research methods and techniques that can then be triangulated to correct the errors that will be introduced by each separate approach. The multiple measures provide different perspectives on the underlying reality. Each technique will have its own flaws and challenges. In this research, using a critical realist epistemology, multiple techniques have been used to understand the phenomenon of CSER in global IT outsourcing.

Mingers (2004, pp. 87-103) proposes “a case for the contribution of critical realism (CR) as a philosophy for IS... and the practice of IS research”. He states that “the realist asserts the primacy of ontology—the world would exist whether or not humans did.” For the positivist, “that which cannot be experienced [seen, measured, examined, etc.] cannot be ... For an empiricist [positivist] only that which can be perceived can exist, whereas for a critical realist having a causal effect on the world implies existence, regardless of perceptibility”. Moreover, “CR is important because it addresses both natural and social science and thus encompasses the main domains of IS ... potentially fits well with the reality of IS as an applied discipline... it points out the limitations of

positivism and interpretivism individually whilst recognizing the contribution that research methods from these paradigms can make”.

Wynn and Williams (2008, p. 2) note that “CR could become a preferred paradigm to approach complex phenomenon, such as those often pursued in information systems, because it enables theorists and researchers to build more detailed explanations of a given set of phenomena or events without resorting to methods more suited for the natural sciences”. However, they also comment that CR is a new approach for IS research and caution that “very few publications have explicitly provided principles and guidelines to assist researchers in conducting and evaluating CR-based and theoretical studies”. Similarly, Dobson (2001, p. 201) notes that “critical realism is a relatively new philosophy that [may] provide a response to the crisis of positivism”. Easton (2010, p. 119) further cautions regarding the newness of CR in management or organisational research. He examined papers listed in the ISI Web of Science with critical realism in the title or abstract and found “only 2 of the 334 dealt with case research and critical realism”.

However, Easton (2010, p. 127) strongly advocates the use of critical realism in case study research. He notes that “[c]ase study research is the prevalent research method in [inter-organisational] research” but that it lacks “philosophical validation, i.e. ontological and epistemological underpinnings”. He posits that “case research cannot be justified in terms of positivism, since case research is almost always small numbers research”. He states that critical realism is well suited for case research “if the process involves thoughtful in depth research with the objective of understanding why things are the way they are”, when the most fundamental research question is: “what caused those events to happen?” Using critical realism, this research seeks to understand why CSER in GITO exists and to understand the effect of CSER on the GITO relationship between buyer and provider, in other words to understand “why things are the way they are” regarding CSER in GITO.

This research adopts a realist approach, which accepts that “there is a reality that is separate from our descriptions of it” (Bryman and Bell, 2007, p. 18). Regardless of our research, CSER in GITO would operate within outsourcing relationships such as Accenture and Royal Sun Alliance, which we describe in Chapter 5, CFS and Steria which we describe in Chapter 6, and Northern Trust and Tata Consulting Services which we describe in Chapter 6. CSER in GITO is a “social phenomen[on] produced by mechanisms that are real, but that are not directly accessible to observation and are discernable only through their effects” (Bryman and Bell, 2007, p. 628). The reality of the phenomenon is demonstrated by the reoccurrence of CSER in different, unrelated GITO

relationships. The phenomenon of CSER in GITO is discernable through the effects on society or the environment, which are produced by collaboration in CSER between the buyer and provider.

Morton (2006, p. 1) states that the CR philosophy, similar to positivism, has “the belief that there is a reality which is independent of human knowledge”. Mingers (2004, p. 100) explains it thus:

CR wants to get beneath the surface to understand and explain why things are as they are, to hypothesise the structures and mechanisms that shape observable events. ... CR recognises the existence of a variety of objects of knowledge – material, conceptual, social, and psychological – each of which requires different research methods to come to understand them.

This research will seek to understand the interaction of social and environmental responsibility in outsourcing relationships. We suggest that this topic is a complex social interaction that operates in the outsourcing relationship between two (usually) large organisations, with one or both organisations operating in multiple global locations. Throughout the rest of this chapter we will take the stance of a critical realist, acknowledging that the reality of CSER in outsourcing exists independent of our examination and analysis. In taking this stance, we acknowledge that the data speak for themselves and the same results presented in this thesis could come from a different researcher.

Easton strongly supports this approach: “A critical realist case approach is particularly well suited to relatively clearly bounded but complex phenomena such as organisations [and] inter-organisational relationships” (Easton, 2010). Morton (2006, p. 1) notes that “CR is particularly helpful for IS research where natural science methods (e.g. controlled experiments) are difficult to apply such as in organisational settings, involving IS, where complex interactions occur and outcomes are not predictable”. We posit that CR is the appropriate philosophical stance for this research, given that CSER in outsourcing is a complex interaction occurring in an organisational setting.

Easton defines a number of key components of the CR philosophy, as outlined in Table 3.2 below.

**Table 3.2: Key Components of Critical Realism Philosophy (Easton 2010, pp. 120-123)**

<b>Critical Realism Component</b>	<b>Description</b>	<b>Applied to this Thesis</b>
1) Objects / Entities	Basic theoretical building blocks, such as organisations, people, relationships, attitudes, resources, MIS, inventions, ideas	Global outsourcing relationship, corporate social responsibility, global CSER
2) Causal powers and liabilities	Causal power is the ability of an entity to make things happen; a liability is a susceptibility to the action of other entities	Collaboration between outsource buyer and provider on CSER projects causes a stronger outsourcing relationship
3) Events	Outcomes that the critical realist investigates, i.e. the external and visible behaviours of people, systems and things as they occur, or as they have happened	The results of collaboration between outsource provider and buyer, on CSER projects
4) Structure of entities	A set of internally related objects or practices; for example an organisation may be considered to comprise a series of other entities such as the departments, people, processes and resources	The outsource buyer and provider are peer entities connected through an outsourcing relationship and contract. In the CSER relationship a third entity may be a charitable organisation or an NGO
5) Necessary relations	Relations that derive directly from the nature of the bodies involved	The outsourcing relationship and contract between provider and buyer
6) Context	Relevant circumstances	Both buyer and provider have a strong social responsibility orientation
7) Structure of causal explanation	A formal statement of the critical realist structure of explanation using objects, structures, causal powers and liabilities. A causal explanation is one that identifies	To be determined in the CFS case study , see Figures 6.5, 6.6, 6.7 and 6.8.

	entities mechanisms that connect them and combined to cause events to occur	
8) Mechanisms	Ways in which structured entities by means of their powers and liabilities act and cause particular events	Interaction between buyer and provider on collaborative CSER projects creates a stronger trust in the outsourcing relationship
9) Epistemology	Meaning has to be understood and could not be measured or counted; observation is fallible further data must be collected distinguish among alternative explanations	Mixed method research design using both quantitative and qualitative techniques
10) Research Process	Retroduction which explains events by postulating mechanisms which are capable of producing them; what produces change? Retroduction involves asking “what must be true in order to make this event possible?”	Why do outsourcing buyers and providers collaborate on CSER? What are the prerequisite conditions for buyers and providers to collaborate on CSER?

A key limitation of critical realism is the complexity of the philosophy and the limited take-up so far by business and IS researchers. As Easton has pointed out, few CR case studies have been published.

### 3.3 Alternative Research Methods: Rationale for Choice

This section presents a reflective assessment of the research methods chosen. As Walsham (1995) states, “researchers need to reflect on their own philosophical stance, which should be stated explicitly when writing up their work”. Similarly, Orlikowski and Baroudi (1991) observe that “self-reflection about research perspectives applies to all researchers, whatever perspective they adopt, whether interpretive, critical or positivist”.

Galliers and Land (1987) and Galliers (1992) define a taxonomy of IS research approaches, summarised below in Table 3.3. The object of our research is the organisation, which is distinct

from society, individual, technology or methodology objects in the Galliers and Land taxonomy. The chosen research methods consist of surveys, content analysis, interviews and case studies.

**Table 3.3: Approaches for IS Research of Organisations (adapted from Galliers and Land 1987)**

Research approach	Applicable?	Mode
Theorem proof	No	Traditional Observation
Laboratory experiment	No	Traditional Observation
Field experiment	Possibly	Traditional Observation
* Survey	Yes	Traditional Observation
Forecasting	Yes	Traditional Observation
Simulation and game or role playing	Possibly	Interpretation
Subjective argumentation	Yes	Interpretation
* Descriptive / Interpretive	Yes	Interpretation
Action Research	Possibly	Interpretation

(\* indicates approach used in this research)

From Table 3.8 it can be seen that several approaches (theorem proof, laboratory experiment), would not be appropriate for IS research in organisations. Several others are weak possibilities (field experiment, simulation, action research). Two approaches that may be appropriate but were not used are the Forecasting approach and Subjective argumentation. Forecasting would require a time horizon beyond the immediate scope of this research, where the affects of CSER would be forecast into the future and results would be revisited over time. This approach may be possible with a repeatable IAOP CSR survey described above. Subjective argumentation “captures creative MIS research based more on opinion and speculation than observation” (Vogel and Wetherbe, 1984), and thus would be inappropriate for doctoral thesis research although it may be acceptable for practitioner reports.

Two other approaches considered and not used are participant observation and document review. Regarding participant observation, the outsourcing process is not easily observed. The outsourcing life cycle, and the CSER dialogue within that life cycle, can take many years and transpires over many meetings and exchanges. Participant observation would be very costly and difficult to accomplish within this thesis research.

Regarding document review, access to legal outsourcing documents is very restrictive, and the legal documents rarely provide information regarding intentions and background. Other documents such as internal policies, memos, communications, and marketing brochures, may be useful but have not been the main focus of the research approach. Documentary information has been viewed as supporting evidence for information collected in interviews and the case studies.

The combination of multiple methods provides a broader perspective of the phenomenon being studied, with each method providing a different view to counter-balance the short-comings of other methods, or “to support a finding by showing that independent measures of it agree with it” (Miles and Huberman, 1994, p. 266). Miles and Huberman identify different kinds of triangulation: by data source, by method, by researcher and by data type, such as qualitative or quantitative data (p. 267). The qualitative and quantitative methods complement each other because each method provides a different perspective on the role of CSER in outsourcing, when combined the different perspectives provide a more complete view of CSER in outsourcing.

Initial survey results allowed the interview questions in case studies to be structured and focused because the survey results identified important trends. The surveys suggested that buyers and providers see CSER as very important in outsourcing, 80 to 95 percent of the time. However, buyers only consider CSER credentials in evaluation of a provider 42 to 50 percent of the time and only validate the provider CSER credentials 31 percent of the time or less (see Table 4.2). With this direction from the surveys, in the case studies we focused some of our questions on the validity of provider CSER credentials (see Section 6.3.5).

This model of exploratory qualitative fieldwork (interviews and exploratory pilot case studies) followed by quantitative questionnaires, followed by a deeper qualitative case study at Co-operative Financial Services (CFS), is highlighted by Miles and Huberman (1994, p. 41) as an illustrative design to demonstrate the value of linking qualitative and quantitative data.

### **3.3.1 Using Critical Realism to Examine CSER in Outsourcing**

A critical realism philosophy captures the essence of this research. The researcher accepts that CSER and outsourcing exist in objective reality, but understands that CSER in outsourcing is complex and not easily observed because CSER is manifested in the buyer domain, the provider domain and in the domain where the social and environmental activity takes place. Each of these domains contains multiple persons at different organisational levels who interpret and apply CSER in the outsourcing relationship. Multiple research methods, quantitative and qualitative, should be used to triangulate and understand CSER in outsourcing.

Taking a critical realism position, we use both qualitative methods (interviews and case studies) and quantitative methods (surveys and content analysis) to triangulate and examine the role of CSER in outsourcing. As Mingers states: “CR recognizes the existence of a variety of objects of knowledge – material, conceptual, social and psychological – each of which requires different research methods to come to understand them... gaining knowledge will require a variety of research methods” (Mingers, 2004, p. 100). Each research method will have a limitation or bias, which must be acknowledged.

The research topic of CSER in outsourcing is relatively new. There is very little prior academic research on this topic, and no explicit theoretical model that encompasses the concept. As we conducted our research over four years, interest in this topic has grown. For example, the number of organisations reporting to the Global Reporting Initiative has grown by approximately 100% during our research timeframe (see Chapter 2, Figure 2.1). Outsourcing industry associations such as NOA, IAOP, CORE and NASSCOM are interested in the topic, but are still creating industry practice guidelines.

This research is exploratory, seeking to understand the intersection of two phenomena (CSER and outsourcing) that individually have been well examined and to create models that explain how the combined phenomena interact in the business world.

## **3.4 Research Approach**

This section describes the research approach. First we explain the rationale for using mixed methods in this research. This is followed by a description of the four methods used in this research: the case study, the qualitative interview, the survey and content analysis.

### **3.4.1 Mixed Methods**

As described above, the divide between the natural science quantitative approach and the social science qualitative approach to research is a fundamental 'schism', divided by the interpretivist and positivist epistemological stances. As Denscombe (2002, p. 23) states, "[w]hat drives the research tends to be the research question, not the purity of an ontological or epistemological stance about which the social world is like and the fundamental principles by which we can come to understand it".

However, significant debate and support exists in the IS research community regarding the need to balance between quantitative and qualitative research methods, identified by Chen and Hirschheim (2004, p. 198) as "the issues of research diversity and methodological pluralism". See for example (Orlikowski and Baroudi, 1991; Walsham, 1995; Remenyi and Williams, 1996; Robey, 1996; Benbasat and Zmud, 1999; Chen and Hirschheim, 2004; Petter and Gallivan, 2004).

Orlikowski and Baroudi (1991, p. 1) found that "a single research perspective for studying information systems phenomena is unnecessarily restrictive" and "much can be gained if a plurality of research perspectives is effectively employed to investigate information systems phenomena". In an assessment of the diversity of IS research Robey (1996, p. 403) contends that "diversity in IS research expands the foundation upon which knowledge claims in the field are based". Remenyi and Williams (1996, p. 145) evaluated both the strengths and weaknesses of qualitative and quantitative IS research and conclude that "both approaches to research are necessary and each depends on the other" and "that multiple approaches to a research problem may lead to very satisfactory results", and may be essential to answer the challenging research questions of the IS discipline.

Bryman and Bell (2007, p. 642) state that "mixed methods research is used as a simple shorthand to stand for research that integrates qualitative and quantitative research within a single project". They state that "the amount of combined research has been increasing since the early 1980s and in business and management research is particularly popular". Yin (2009, p. 63) suggests that "mixed methods research can permit investigators to address more complicated research questions and collect a richer and stronger array of evidence than can be accomplished by any single method alone". Miles and Huberman (1994, pp. 40-43) comment that linking qualitative and quantitative research designs (mixed methods) will complement and reinforce each other by

1) confirmation through triangulation, 2) elaboration and providing richer detail, and to 3) initiation of new lines of thinking and fresh insight.

Petter and Gallivan (2004, p. 1) concur, adding that “to achieve a better understanding of the effect of [Information Systems] in organisations, researchers should invoke mixed method research in which both quantitative and qualitative methods are used”. They state that “the advantages of examining a problem using both qualitative and quantitative approaches has been touted for 25 years” and add that “[t]houghtful use of mixed methods can capitalize on the strengths and defuse the weaknesses of the methods ... Divergent results from each method allow the researcher to develop more complex and potentially novel explanations of a phenomenon”. Petter and Gallivan posit that there are five motives for the use of mixed methods: triangulation, complementarity, development, expansion and initiation. Table 3.4 provides an explanation for each motivation and describes their relevance to this research.

**Table 3.4: Motivation for Mixed Methods Research (Petter and Gallivan, 2004, pp.5-6)**

<b>Motivation</b>	<b>Description</b>	<b>Relevant to this research? How?</b>
Triangulation	“seeks to improve the accuracy of results through the analysis and collection of different types of data”	Yes. Different methods confirm the importance of CSER in outsourcing.
Complementarity	“to provide additional richness and detail to better understand a phenomenon”	Yes. Surveys, interviews, focus groups and case studies provide multiple perspectives that enrich the analysis.
Development	“to help in the development of the primary study”	Yes. The initial surveys and interviews helped to focus the problem, for example identifying the importance of environmental issues as a topic within CSER.
Initiation	“uncover paradox and contradiction for a new understanding of the problem”	Yes. The paradox of outsourcing work to offshore locations and the ongoing social responsibility to maintain local jobs is examined in

		Section 6.3.6.
Expansion	“expand the scope and breadth of the problem by studying multiple phenomena; this is motivated by a desire to provide a more comprehensive solution or understanding of a problem”	Yes. The survey and initial interviews confirmed the importance of the issue of CSER in outsourcing. The case studies provided detailed evidence of the business rationale for CSER.

Bryman and Bell (2007, p. 658) present several practical cautions, such as selecting the most appropriate methods, commenting that “poorly conducted research will yield suspect findings no matter how many methods are employed” and “there is no point collecting more data simply on the basis that ‘more is better’ ”. The cost of mixed methods must be weighed against the anticipated value.

Finally, research into outsourcing is not dominated by any single research method. In an examination of 164 empirical IT outsourcing articles published in 50 journals between 1992 and 2010, a review of outsourcing research literature found that “71 [were] quantitative papers, 80 [were] qualitative papers and 13 papers used both qualitative and quantitative methods” (Lacity, Khan et al., 2010, p. 396). The observation that outsourcing research is not dominated by a particular research approach fits with the Critical Realism epistemological perspective that recognises a variety of objects of knowledge, each requiring a different research method to understand them (Mingers, 2004).

### **3.4.2 Case Study Method**

Yin’s (2009, p. 4) case study techniques have guided part of this research; as he states, “the distinctive need for case studies arises out of the desire to understand complex social phenomena”. Yin defines a case study as “an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context especially when the boundaries between phenomenon and context are not clearly evident”. He further states that a “case study inquiry copes with the technically distinctive situation... relies on multiple sources of evidence... to converge in a triangulating fashion” (Yin, 2009, p. 18).

The case study is an appropriate research technique to study CSER in outsourcing. As discussed in Chapter 2, the rise of CSER in business is certainly a contemporary event. We suggest that CSER in outsourcing is a complex social and business phenomenon lacking clearly defined boundaries. By embedding the research within an organisation, the researcher is able to ask, observe and discuss how the phenomena operate and the motivations for the phenomena. For example, during the case study at CFS, conversations conducted in the hallways and cafeteria provided perspective and information on the case that amplified comments from the semi-structured interviews. We collected a wealth of data during the case studies, as described in Chapters 4, 5 and 6 and published in an academic journal (Babin, Briggs et al., 2011), which allowed us to explore and explain CSER in GITO.

Hartley (2004, p. 325) suggests that case studies are “useful for exploring new or emerging processes or behaviours”, which is true of this research topic CSER in outsourcing. Moreover,

case studies have an important function in generating hypothesis and building theory... the issues and theory may shift as the framework and concepts are repeatedly examined... the realities which conflict with expectations ‘unfreeze’ thinking and allow for the development of new lines of inquiry.

As suggested by Hartley, our theories evolved from two initial frameworks, which were Carroll’s Pyramid of CSR (1991) and the Feeny et al. (2005) theoretical framework of outsource provider competencies. These two theories guided the initial interviews and exploratory case studies. We subsequently adopted theoretical frameworks that better explained the information from the initial interviews and exploratory case studies. We adopted Porter and Kramer’s Strategic CSR model (2006) and Lewicki and Bunker’s Trust Maturity Model (1996). These models allowed us to pursue new lines of inquiry and develop our theoretical concept of collaborative CSER, which is described in Chapter 6.

As mentioned earlier, CSER in outsourcing is a relatively new and emerging topic, supporting the appropriateness of the case study research approach. Eisenhardt and Graebner (2007) suggest that “papers that build theory from cases are often regarded as the ‘most interesting’ research and are among the most highly cited pieces in [Academy of Management Journals], with impact disproportionate to their numbers”. Finally, in an examination of 1,893 published IS articles, Chen and Hirschheim (2004) found that “case studies have gained substantial recognition (36%) ... [and] that IS researchers have become more interested in obtaining scientific knowledge in real world

settings”. As will be explained in Section 6.4 this research begins to create a tentative model for applying CSER in an outsourcing relationship, hopefully making this thesis more ‘interesting’.

Case studies are not without challenges. Yin has highlighted three case study challenges: the lack of rigour in case study research, limited basis for scientific generalisation, and the amount of time for case studies to be completed. He concludes that “good case studies are still difficult to do” (Yin, 2009, p. 16). Yin (p. 40) identifies three criteria for judging the quality of research designs. He states that empirical social research should be judged according to the construct validity, external validity (also called generalisation) and reliability. Below we respond to Yin’s challenges and we describe how access was gained and maintained for the case study.

**Construct Validity.** Three tactics are used to demonstrate the validity of the case study construct.

First, multiple sources of evidence should be used. At CFS we interviewed 23 people involved in outsourcing at CFS and at the providers. We examined supporting documents such as the CFS Sustainable Procurement and Supplier Policy (Co-operative Financial Services, 2010), the annual Sustainability Reports for CFS (The Co-operative Group, 2009; 2010; 2011) and Infosys (Infosys, 2009; 2010), the Steria CSR Report (Steria, 2010) and the One School Programme report (Steria, 2010). We used exploratory pilot case studies with outsourcing buyers at Enbridge and Rio Tinto and at outsourcing providers Accenture and Infosys to explore the concept of CSER in outsourcing. We conducted confirmatory interviews with one additional outsource buyer, Northern Trust, which is also implementing a collaborative CSER programme with its outsource providers. This research has endeavoured to use multiple sources.

Second, according to Yin, a chain of evidence should be established similar to procedures in a forensic investigation. This chain of evidence should demonstrate that no original evidence is lost and the external observer should be able to trace the steps from the original research questions, through the collection and analysis of case data to the conclusions. Chapter 6 of this report provides the case studies details, including the persons interviewed and key quotes. All interview transcripts and notes are available for review, as outlined in Table 3.7 below.

Third, key informants should review a draft of the case study. After preparing the case study report we met with two CFS executives and one Steria executive to review the findings and conclusions of the case study. Their comments have been incorporated into this research. We have published a journal article co-authored with one of the CFS executives (Babin, Briggs et al.,

2011) that summarises the case, and we presented an overview of the case at an NOA industry seminar in January 2011.

**External Validity or Generalisation.** External validity is “knowing whether a study’s findings are generalisable beyond the immediate case study” (Yin, 2009, p. 43). Yin states that case studies rely on analytic generalisation to extend a particular set of results to a broader theory. Generalisation is not automatic and requires that the theory be tested in another similar situation. Yin argues that case studies differ from survey research which relies on statistical generalisation, while cases rely on analytic generalisation where the investigator strives to generalise “a particular set of results to some broader theory” (p. 43). Yin also argues that generalisation is not automatic and the theory must be tested by replicating the findings in another case.

The Northern Trust case supports the generalisation of the collaborative CSER concepts described in the CSF case. To summarise the Northern Trust interview, in the same financial services industry but with different outsource providers and in a different jurisdiction, a collaborative CSER model has been defined at Northern Trust that is very similar to the CFS model, relying on the same theoretical framework of Strategic CSR (Porter and Kramer, 2006). The Northern Trust example is independent of the CFS case and provides a similar situation that supports the generalisation of the CFS case analysis.

**Reliability.** Findings from case study research are reliable if they can be repeated by another investigator conducting the same case study over again. Reliability is defensible when the case study protocol is well defined and repeatable, and a case study database has been created. Section 3.5.4 defines the case study protocol in detail. Table 3.5 below outlines the case study database. With the information in the case database, the case study analysis could be repeated (although over time people will move on from the organisation and new issues will be introduced) or the original data could be examined by external researchers.

Triangulation is another technique that provides reliability to case study research. Triangulation is the use of multiple sources of evidence to examine a phenomenon. As Yin suggests, a “major strength of case study data collection is the opportunity to use many different sources of evidence” (2009, p. 114). In our case studies we retrieved sample documents such as procurement policies at Rio Tinto (Rio Tinto, 2006) and supplier analysis at CFS (Co-operative Financial Services, 2010) which provided additional perspective to the interview data. Further, by conducting interviews on site, as we did at Accenture in Bangalore India, at Infosys in Mysore India

and at CFS in Manchester, we were able to observe aspects of the organisation that provided additional perspective for the research. For example, at CFS the balanced scorecard measures, which included provider metrics, were posted on the walls of the location where we conducted the case interviews. These charts provided substance to interview comments about the importance of measuring outsource providers and the relationship. The case site observations, the sample documents and the case interviews all provided data that re-enforced each other, providing triangulation to support the rigour and reliability of the case study research.

**Table 3.5: Case Database**

<b>Data type</b>	<b>Source</b>	<b>Storage</b>
1. Interview notes	Hand written during each interview, edited and annotated after interviews	Case notes binders. Computer hard-drive.
2. Recorded interviews	Digital recorder (Sony)	MP3 recordings on computer; backed up on stand-alone hard drive.
3. Raw Transcripts	Transcription service (Tech-Synergy)	MS Word documents transcribed from MP3 recordings. Stored on computer; backed up on stand-alone hard drive.
4. Coded Transcripts	Edited, colour coded transcripts revised from raw transcripts	MS Word documents. Stored on computer; backed up on stand-alone hard drive.
5. Case report	Description of case, findings and conclusions	MS Word documents. Stored on computer; backed up on stand-alone hard drive.
6. Email correspondence	Dialogue between case participants, case sponsor and researcher	Email documents stored on server and PC email software (Outlook).
7. Sample documents - provided	Documents provided by interviewees as email attachments and in hard-copy	MS Word and Powerpoint documents. Stored on computer; backed up on stand-alone hard drive.

		Paper documents stored in case binders.
8. Sample documents – extracted	Documents downloaded from public websites	MS Word and Powerpoint documents. Stored on computer; backed up on stand-alone hard drive.
9. Journal article	Co-authored by researcher, supervisor and CFS case sponsor	MS Word document. Stored on computer; backed up on stand-alone hard drive.  Emailed to Journal editor, published in Communications of the ACM.
10. Industry Presentation	Co-presented by researcher and supervisor	Powerpoint document presented and discussed at NOA Seminar.

### **Gaining and Maintaining Access**

Walsham suggests that “a characteristic a field researcher needs is the willingness to accept “no” for an answer but the persistence to try elsewhere.” Walsham also suggests that providing feedback to the host organisation is a valuable way to build credibility and trust.

This advice proved valuable in our case study research at CFS. Initial access was provided through the thesis supervisor, after publishing a request for research participants through a business development organisation, the Manchester Investment Development Agency Service (MIDAS). The CFS manager of the IT outsourcing unit was interested in the topic and contacted the supervisor. After two introductory meetings (December 2009, January 2010), with the supervisor and then the researcher, CFS agreed to participate in the case study. We also asked Infosys to participate, which was agreed to in principle but not enacted in practice. Another outsource provider, Steria, agreed and participated energetically in the research.

The researcher committed to provide a report back to management, which was delivered to the CIO in January 2011, and to work with the manager to co-author a research paper, which was completed in February 2011 and has been published (Babin, Briggs et al., 2011). Additionally, with permission from CFS, the case study was presented at an NOA seminar in January 2011. Through

constant communications and with follow-through on commitments, we have maintained access at CFS and sustained dialogue with the organisation.

Similarly, through ongoing participation with CORE, IAOP and with NOA the researcher continues to maintain access to outsourcing buyers, providers and advisors, and is able to continue to survey the industry on this topic. At CORE, the one-hour CSER module is taught twice a year by the researcher, allowing ongoing validation of concepts and continual data collection. At IAOP the researcher is working with the CSER subcommittee to write CSER guidelines for the outsourcing community. The subcommittee has issued a second survey on CSER in August 2011, which will allow for comparison of data from the 2009 survey. It is very reasonable to expect that the IAOP CSR survey could become a biennial activity that allows researchers to analyse and understand the CSER trends in GITO over many years. Through professional participation in these industry organisations, ongoing access and the ability to continue data collection and dialogue on CSER in outsourcing will be maintained.

### ***3.4.3 Qualitative Interview Method***

The core of a case study is the qualitative interview, which is the technique used in this research. This technique uses a pre-defined set of questions to structure the interview process, allowing the interviewee to bring additional perspectives to the discussion that may not be covered by the set of questions. Appendix A provides a list of questions used to guide the interviews. Bryman and Bell (2007, p. 213) define semi-structured interviews as an interview:

in which the interviewer has a series of questions that are in the general form of an interview schedule but is able to vary the sequence of questions. ... Also, the interviewer usually has some latitude to ask further questions in response to what are seen as significant replies.

Semi-structured interviews allow for person-to-person interaction, and the ability to alter the line of questioning depending on the answers and discussion. This was particularly useful in preliminary interviews where the research questions were still being developed. The person-to-person interaction allows trust and confidence to be established, which is important when confidential or sensitive information is being collected. For example, the issue of green-wash in CSER profiling is important to discuss, and would not be honestly captured in a survey or in a telephone interview, because confidentiality and trust are more difficult to establish when the interviewer and interviewee are not in the same room. When we met face-to-face with people in a

private office we were able to have a more honest and frank discussion, especially regarding scepticism and cynicism for CSER and green-wash.

As King (2004, p. 11) suggests, qualitative interviews usually have “a low degree of structure imposed by the interviewer; a preponderance of open questions; and a focus on specific situations and action sequences in the world of the interviewee, rather than abstractions and general opinions”. This describes very well the protocol for the interviews in this research, which allowed participants to focus the topics on areas of relevance for them and their organisations. These interviews were conducted exactly as King points out: “The interviewee is seen as the participant in the research, actively shaping the course of the interview rather than passively responding to the interviewer’s pre-set questions”. In addition, King recommends that a researcher should seek to substantiate the interview comments with a review of documents provided or identified on websites and with a quantitative survey.

Myers and Newman (2007, p. 2) have examined the qualitative interview in IS research and have concluded that although “the qualitative interview is one of the most important data gathering tools in qualitative research, ... it has remained an unexamined craft in IS research ... [with] potential difficulties, pitfalls and problems”. Table 3.6 lists the seven guidelines for researchers to follow which are defined in Myers and Newman’s model and which are applied to this research.

**Table 3.6: Guidelines for Qualitative Research (Myers and Newman, 2007, pp. 17-22)**

<b>Guideline for qualitative research</b>	<b>Interpretation</b>	<b>Application to this research</b>
1. Situate the researcher	Define the interviewer and interviewee: who are you, what is your role, background, nationality, etc.	All interviews started with a formal introduction. Interview notes contain a reflection of the environment, the mood, the surroundings of the interview.
2. Minimise social dissonance	“minimise anything that may lead the interviewee to feel uncomfortable”	Most interviews were conducted on-site; interviewers paid attention to dress, protocol and introduction; sensitive to the culture of each organisation.

3. Represent various voices	“interview a variety of people within an organisation”	Many persons were interviewed, at different organisational levels; outsource buyers, provider and advisor perspectives captured.
4. Everyone is an interpreter	“subjects are creative interpreters of their world as we are of theirs”	At CFS we described our models and elaborated with the interviewees. We discussed the directional findings from surveys and pilot studies, with a critical realist perspective on CSER.
5. Use mirroring in Q&A	Take their words and phrases to construct a subsequent question or comment	Quotes from interviews were used for second round follow-up and review.
6. Flexibility	“explore interesting lines of research, and look for surprises”	We constantly tested our emerging ideas with the interviewees for validity.
7. Confidentiality of disclosures	Keep records confidential and secure; provide feedback to check factual matters	All interviews were identified as confidential. All interview materials have been kept secure and confidential .

The primary disadvantage of interviews is the time and expense required to arrange, conduct, document and validate the interviews. This research has required access to senior individuals in large organisations, such as the CIO at CFS, or the Managing Partner for Accenture India. Gaining access to and the trust of these busy individuals was a major challenge for this research. Of the 55 interviews only four were conducted by telephone; all others were conducted in person. Two telephone interviewees were located in India and were not able to meet the researcher during the visit to India. The third telephone interviewee was in London and not able to meet in person due to schedule conflicts. The fourth telephone interview was with a person who was unavailable when the research interviews were conducted at Rio Tinto in Montreal. A further challenge that is evident is the global nature of this research, with interviews conducted in India, England, Canada and the United States, requiring significant time, travel and expense.

A second disadvantage of this approach was the ability to access and use confidential information. Major outsourcing contracts can run into billions of dollars and dramatically affect the business operations and profitability of both the buyer and the supplier. This information is highly confidential and not easily accessed. Trust must be developed, which requires time and personal interaction. For example, Infosys was reluctant to share any detailed information about their work at CFS. Fortunately CFS was able to share some of the information about the legal requirements for CSER in their outsourcing contracts, although not about the Infosys relationship. As a result, the outsourcing contract for the Business Transformation Program (BTP) with Infosys at CFS was not available for discussion.

#### ***3.4.4 Survey Method***

Survey questionnaires allow for quantifiable data to be collected and analysed with statistical methods. Bryman and Bell (2007) suggest an important benefit of the questionnaire is that is less costly and quicker to administer than other methods, such as interviews. The disadvantage of the survey in this research project is the inability to fully explain questions, and the possibility that some respondents may not interpret the questions correctly. In addition, the number of respondents required to be statistically significant requires access to a large number of valid email addresses. Bryman and Bell suggest several other disadvantages of surveys, such as the difficulty of asking additional or other kinds of questions, not knowing who has responded to the survey and to which questions, the difficulty of long surveys, and the inability to probe deeper on interesting responses.

The design of the survey was guided by Bryman and Bell (2007, pp. 240-255). For example the survey design was cognizant of the need to be attractive and well designed in order for it to be less likely to deter prospective respondents from answering. Demographic information about the respondent, the organisation, and outsourcing experience, was collected at the start of the survey. Opinions and attitudes regarding social and environmental responsibility were collected in the middle of the survey using Likert scales. The last section of the survey allowed the respondents to voluntarily provide their name and e-mail address. Analysis of the survey data was performed with Excel software to identify trends and to create comparative charts.

The rationale for using survey was the need to capture a broad set of data from many stakeholders early in the research project in order to understand the priority topics regarding CSER in GITO. Survey responses were received from around the world, providing perspectives of more

than just locally accessible GITO participants. The survey data did result in the focus of the research being altered. For example, the survey questions were based on the CSR Pyramid (Carroll, 1991). Survey responses showed that environmental issues were as important as social issues, so subsequent research activities explored environmental issues in outsourcing. Further, the surveys identified a low interest in socially responsible outsourcing, so subsequent research did not focus on this issue.

Another purpose of the survey was to uncover gaps or inconsistencies in attitudes and behaviours regarding CSER in GITO that were worth exploring further. For example, as will be described in Section 4.3 we found very high support for CSER concepts, in principle. However, the practice of CSER in outsourcing was much lower, for example as stated requirements in an outsourcing RFP. The validation of CSER was even lower. The inconsistency identified in the surveys was further explored in the cases and interviews.

### **3.4.5 Content Analysis Method**

“Content analysis is an approach to the analysis of documents and text (which may be printed or visual) that seeks to quantify content in terms of predetermined categories in a systematic and replicable manner” (Bryman and Bell, 2007, p. 304). Neuendorf (2002) describes content analysis as “the systematic, objective quantitative analysis of message characteristics”. We used content analysis to examine the websites of global IT outsource providers and to understand their self-proclaimed CSER profiles. Neuendorf has defined a nine-step content analysis flowchart, depicted below in Table 3.7, which has guided the use of content analysis in this research.

**Table 3.7: Content Analysis Process (Neuendorf, 2002)**

<b>Step</b>	<b>Description</b>	<b>Applied to this research</b>
1) Theory and rationale	What content to be examined and why?	Examine websites of outsource providers for CSER criteria
2) Conceptualisation	What variables will be used in the study and how do you define them conceptually?	References to GRI, CDP, ISO 26000 or ISO 14001, UN Global Compact, SRI. References to be cross-checked.
3) Operationalise	What unit of data collection	Any mention of the above

measures	will be used?	variables
4) Define coding schemes	Create code book with variable measures explained	Not conducted for this research
5) Sampling	Conduct a census of the content	Reviewed GITO websites as of May 2009
6) Training and initial reliability	Train coders to reliably interpret coding of variables	Not conducted for this research
7) Coding	Use multiple coders	Researcher and research assistant code and compare interpretations
8) Final Reliability	Calculate a reliability figure	Not conducted for this research
9) Tabulation and Reporting	Present figures and statistics	Results reported in Table 5.1

Bryman and Bell have identified several benefits of content analysis. It is transparent and is described as an objective method that can be replicated. Content analysis is unobtrusive because it does not entail taking the researcher into account, i.e. the researcher's presence does not affect the data collection as it may in an interview or in observation. Lastly, the research can be conducted remotely, using the Internet, removing the need to be physically present at the outsource provider location. However, Weare and Lin (2000) point out that content analysis on the World Wide Web can be complex and volatile because of the ephemeral nature of Web pages. "Entire sites come and go, and many Web pages ... are updated almost constantly". Undoubtedly, the results presented in this document will change, likely with stronger CSER participation, as outsource providers update their websites over time to reflect increased CSER capability. For this research, content analysis has been used in the exploratory phase of the research in 2008 focus on the CSER issues in outsourcing.

### **3.5 Research Design**

In this section the design of the research project is described. For each of the four research methods, interviews, surveys, content analysis and case studies, an explanation is provided for the research protocol. The results of conducting the research are described in the section that

follows, 3.6 Data Collection. Analysis and interpretation of the data is presented in Chapters 4, 5 and 6.

The research, which began in mid-2008 and was completed in early 2011, consisted of two phases. Phase 1, which was exploratory, occurred in 2008 and 2009 and provided directional guidance to focus the research concepts and questions. Phase 2 began in 2010 and was completed in 2011. This phase provided detailed perspectives on the issues identified in phase 1, primarily through an explanatory case study at Co-operative Financial Services in Manchester.

The research approach contained two methodological streams: qualitative and quantitative. The primary stream was qualitative, with the quantitative approach being used to augment and triangulate the issues identified in the qualitative stream.

Table 3.8 below provides an overview of the research approach. Three professional organisations agreed to participate in this research. The Centre of Outsourcing Research and Education (CORE) is based in Canada and has a membership of outsourcing buyers, providers and advisors from major Canadian organisations. The International Association of Outsourcing Professionals (IAOP) is based in the United States and has a large global membership. The National Outsourcing Association (NOA) is based in the United Kingdom with members primarily from the UK.

**Table 3.8: Research Design**

	<b>Qualitative</b>	<b>Quantitative</b>
<b>Phase 1: Directional 2008-2010</b>	<ul style="list-style-type: none"> <li>• 12 Preliminary interviews</li> <li>• Focus group</li> <li>• 4 pilot case studies (exploratory)</li> </ul>	<ul style="list-style-type: none"> <li>• Preliminary survey</li> <li>• IAOP survey</li> <li>• Two CORE class surveys</li> <li>• Provider web site content analysis</li> </ul>
<b>Phase 2: Detailed 2010-2011</b>	<ul style="list-style-type: none"> <li>• CFS case study (explanatory)               <ul style="list-style-type: none"> <li>• June 2010</li> <li>• January 2011</li> </ul> </li> <li>• Northern Trust interview (confirmatory)</li> </ul>	<ul style="list-style-type: none"> <li>• NOA Survey</li> <li>• Two CORE class surveys</li> </ul>

### **3.5.1 Interview Protocol**

Interviews conducted in the case studies and the preliminary interviews all used a semi-structured approach. In contrast to semi-structured interviews, structured interviews require an exact same

set of questions given to each interviewee so that each respondent receives exactly the same interview stimulus as any other. We did not use structured interviews in this research. The questions that guided the interviews are presented in Appendix A.

For each interview notes were taken, and were compiled after the interview. For the CFS case study, the interviews were recorded electronically, with the agreement of the interviewee. The recorded interviews were transcribed by an external service provider. The transcripts were reviewed, edited and coded by the researcher. Codes were created by identifying common themes or frequently used words in the interviews. For example, 'trust' was mentioned in several interviews and became a code that was identified and tabulated across all interview transcripts. All interviews were conducted at the interviewees' office location. See Table 3.11 for a summary of the coded themes.

### ***3.5.2 Survey Protocol***

Bryman and Bell (2007, p. 241) suggest that survey questionnaires allow for quantifiable data to be collected and analysed with statistical methods. Furthermore, the use of an electronic survey allows distant respondents to be contacted quickly and at low cost.

Survey questions were prepared using the Pyramid of CSR (Carroll, 1991) to guide the structure of the questions, with additional questions to address environmental responsibility. Prior to the survey being sent out, an ethical review was conducted by the Ryerson University research ethics board, which is a required protocol when human subjects participate in research projects. Respondents acknowledged that participation in the survey was voluntary. In addition the survey clearly identified that information collected would be regarded as private and confidential and would be stored securely on password-protected computers. Respondents could voluntarily provide their name and e-mail address. The survey questionnaire was prepared using the SurveyMonkey electronic instrument. The CORE survey was sent to participants in the CORE CSR training module. The IAOP and NOA surveys were sent to all members registered in membership database for that organisation. For the CORE survey 13 of the 49 respondents provided an e-mail address. For the IAOP survey 60 of the 178 respondents provided an e-mail address. For the NOA survey 17 of the 53 respondents provided an e-mail address. Appendix B provides the questions asked in the surveys.

The survey responses, a total of 280, provided directional perspective on CSER in GITO. The respondents identified the importance of CSER in outsourcing, which appears to be growing over

time. Buyers identified how often they would evaluate or validate a provider's CSER credentials in an outsourcing relationship. A summary of the findings is presented in Table 4.2. The survey is part of the mixed methods research approach which provides quantitative results that compliment the qualitative case study results. As Yin notes: "mixed methods research can permit investigators to address more complicated research questions and collect a richer and stronger array of evidence than can be accomplished by any single method alone" (Yin, 2009, p. 63). The survey results allowed the researcher to focus on specific issues in the case study interviews.

### ***3.5.3 Case Study Protocol***

The four exploratory pilot case studies were conducted through a series of interviews within a time-span of nine months. The four case studies were exploratory, designed to understand the key issues regarding CSER in outsourcing. No commitment was made to provide any feedback to the participants.

For the explanatory case study at CFS, sponsorship was established with the head of the outsourcing unit, who had a personal interest in CSER and who noted that the Co-operative has a strong CSER commitment. The researcher did commit to provide a report to CFS management on the research findings and to work with CFS to author a publishable paper on the research, which was completed in 2011. The CFS case study was explanatory, where concepts revealed in the interviews were explained with theoretical concepts from CSER research.

With one exception, the researcher did not sign any non-disclosure agreements (NDAs) with the case organisation, and so was not constrained in reporting the information collected and analysed. The one exception was the case with Infosys, where a signed NDA was required prior to meeting with representatives at the Infosys India Mysore campus.

### ***Case Study Unit of Analysis***

The research question for this thesis is to understand the role of CSER in global IT outsourcing. The unit of analysis for the case study research is the outsourcing relationship between a buyer and a provider. According to Yin, the unit of analysis is a fundamental component for defining the boundaries of the case, and for "defining what the case is". He elaborates "the unit of analysis is related to the way you have defined your initial research questions" (Yin, 2009, pp. 29-30). An outsourcing decision is made when a buyer decides to enter into an outsourcing relationship with a provider. The relationship has many characteristics, including a legal contract which is often called the commercial relationship because it defines the payments, penalties, terms of service,

schedule of deliveries, etc. between the provider and the buyer. The outsourcing governance relationship describes the process for making decisions within the commercial relationship, and involves mechanisms for monitoring and guiding the relationship at the executive, managerial and operational levels at both the buyer and provider.

In the exploratory cases described in Chapter 4 with Enbridge and Rio Tinto, we examined the outsourcing relationship from the perspective of the buyer, focusing on a small number of providers where there was an established commercial outsourcing relationship. For the exploratory cases described in Chapter 5, at Accenture and Infosys, we examine the relationship outsourcing relationship from the perspective of the outsourcing provider. In these cases we did not focus on an established commercial relationship, but explored the general concept of CSER in an outsourcing relationship.

In the explanatory case described in Chapter 6 we examine the role of CSER in the outsourcing relationship between CFS and Steria. Again, the unit of analysis is the outsourcing relationship. In the CFS-Steria case the relationship has an additional component, which is the set of schools in India that are supported by a collaborative CSER project as part of the outsourcing relationship between CFS and Steria. As depicted in Figure 2.7, which describes strategic CSR in outsourcing, the third party in the outsourcing relationship is 'society'; in the CFS-Steria case, society is represented by the schools in India. Yin refers to this as an "embedded unit of analysis" which is part of the primary unit of analysis. The collaborative CSER project is embedded in the outsourcing relationship between CFS and Steria. At the outset of our research we did not expect to find this additional component, but as the case study unfolded the embedded unit of analysis became an important topic for our analysis. In Chapter 6, Figure 6.9 depicts how the additional component strengthens the primary unit of analysis which is the relationship between the outsourcing buyer and provider.

#### ***3.5.4 Content Analysis Protocol***

The content analysis method followed the steps outlined by Neuendorf (2002) and depicted above in Table 3.5. The analysis focuses on participation in four global standards (GRI, CDP, ISO 26000 / 14001 and UN Global Compact) that represent CSER capability. Additionally, investment indices such as the Dow Jones Sustainability Index (DJSI), the Financial Times Stock Exchange for Good (FTSE4Good) Index, and the Standard and Poor Environmental Social and Corporate Governance (S&P ESG) Index suggest that a publically traded outsource provider is considered as a Socially

Responsible Investment (SRI). The IAOP Global Outsourcing 100 provided a representative set of global IT outsourcing organisations as a proxy representing the GITO provider market. The list of leading GITO outsourcers was refined in two ways. First, the research focused on the top 25 outsourcers to understand if CSER patterns could be determined that would be applicable to the remaining 75 organisations. Second, we focused on GITO providers, removing non-IT industries such as food service and real estate service outsource providers. This resulted in a list of 19 GITO providers. The conceptual variables consist of any mention on one of the 19 GITO provider's website of one of the five CSER criteria (i.e. GRI, CDP, ISO, UN Global Compact or SRI index). The content analysis provided a snap-shot of the CSER profiles for these large GITO providers.

### **3.6 Data Collection**

This section describes how the research methods were used to collect data in the two phases of the research project, from 2008 to 2011. A preliminary view of the data is provided, however the detail presentation of data, with interpretation and analysis, will be provided in Chapters 4, 5, and 6.

#### ***3.6.1 Phase 1: Qualitative. April 2008 to January 2010***

Preliminary research fieldwork was conducted in 2008. The qualitative component consisted of semi-structured interviews and a focus group. In total, 12 interviews were conducted, each lasting approximately 45 minutes. The interviewees were senior executives in their representative organisations, who were initially contacted to confirm their interest in this research topic.

A focus group discussion was conducted in October 2008, with four of the 12 interviewees as panel members. The panel was sponsored by CORE and was conducted at Ryerson University, with an audience of approximately 50 persons (Babin, 2008). The focus group confirmed and elaborated on the themes identified by the initial 12 interviews.

After the 12 interviews, four exploratory pilot case studies were conducted. The cases involved a relatively small number of interviewees, ranging from two to seven per case. In contrast, the explanatory case study at Co-operative Financial Services (CFS) involved a first round of 28 separate interviews with 26 persons over 12 days, and then a second set of interviews with five persons over five days. For the pilot cases the researcher visited four organisations and conducted multiple interviews in person and on the phone, to discuss CSER in outsourcing. Table 3.9 below identifies the four case studies. Two sets of interviews were conducted with outsourcing buyers Enbridge Gas in Toronto and Rio Tinto in Montreal and their respective outsource providers, Tata

Consulting Services and Accenture. Follow-up discussions were conducted by telephone. Notes were taken during the interviews and transcribed immediately after each meeting.

Two sets of interviews were conducted with representatives from global IT outsource providers Accenture and Infosys. For Accenture, interviews were conducted at their offices in Toronto Canada and Bangalore India. In addition to the interviews, several research reports from Accenture were reviewed. Since beginning its CSER work in 2007, Accenture has made a considerable commitment to Green IT and environmental responsibility. The original focus of its green initiatives was data centre operations (Nunn, 2007); it then moved to incorporate issues of CSER and corporate citizenship (Accenture, 2009; Lowitt, Hoffman et al., 2009). Recently, Accenture has worked with the United Nations Global Compact “to help set the sustainability agenda for the next 10 years” (Lacy, Cooper et al., 2010), and has begun to look at new outsourcing technologies such as cloud computing (Accenture, 2010) and the value that CSER can bring to corporate performance (Accenture, 2009). In four years, Accenture has established a growing CSER consulting practice, which demonstrates the importance of CSER to this global IT outsourcing provider.

For Infosys, interviews were conducted at their Mysore campus in India. Interviews were taped and the results of the interviews were transcribed and coded shortly after each interview.

In the interviews, the focus group and the four pilot case studies the following topics were explored:

- When making outsourcing decisions, do evaluation criteria include CSER capabilities?
- What components of CSER, such as employee support, environmental stewardship, working environment, community involvement, etc., are most important?
- How do buyers give preference to CSER factors in outsourcing decisions?
- Will CSER considerations become more important in future outsourcing contracts?

The interviews were semi-structured, as described in Section 3.5.1, Interview Protocol. Appendix A provides the outline for the interviews.

**Table 3.9: Four Pilot Case Studies**

<b>When</b>	<b>Organisation</b>	<b>Location</b>	<b>Participants</b>	<b>Outsource Providers</b>
June to September 2009	Enbridge Gas	Canada - Toronto	<ul style="list-style-type: none"> <li>• Director Customer Care</li> <li>• Director of IT</li> <li>• Director of Public Affairs</li> <li>• Manager Community Relations</li> <li>• Country Manager – TCS</li> <li>• Head of Delivery &amp; Services –TCS</li> <li>• Account Delivery Manager – Accenture</li> </ul>	<ul style="list-style-type: none"> <li>• Accenture</li> <li>• Tata Consulting Services (TCS)</li> </ul>
May to August 2009	Rio Tinto	Canada - Montreal	<ul style="list-style-type: none"> <li>• Director, Sustainable Development and Community Relations</li> <li>• Vice President Integration, Information &amp; Systems Technology</li> <li>• Superintendent, Global Services - IT Procurement</li> </ul>	<ul style="list-style-type: none"> <li>• CGI</li> <li>• Accenture</li> </ul>
January 2010	Infosys	India - Mysore	<ul style="list-style-type: none"> <li>• Head, Green Initiatives</li> <li>• VP and Head, Education &amp; Research</li> </ul>	
January 2010	Accenture	India – Bangalore and Canada - Toronto	<ul style="list-style-type: none"> <li>• Director Outsourcing (Toronto)</li> <li>• Chairman and Geography Managing Director, India</li> <li>• Manager, Corporate Citizenship, India</li> <li>• Research Leader, Asia Pacific</li> </ul>	

Two theories were used to guide the 12 interviews and four pilot case studies. First, Carroll’s Pyramid of CSR was used to explore the hierarchy of CSER (Carroll, 1991). Second, the outsource provider capability model by Feeny, Lacity et al. was used to explore the relative importance of provider CSER compared to other capabilities (Feeny, Lacity et al., 2005). Although the theoretical guides were useful, the Phase 1 findings pointed to more important topics, which led the second phase of the research to examine and rely on the theoretical frameworks of trust (Lewicki and Bunker, 1996) and Strategic CSR (Porter and Kramer, 2006) in the final case study at Co-operative Financial Services.

### **3.6.2 Phase 1 & 2: Quantitative. June 2008 to October 2010**

The quantitative phase consisted of two methods. First, we conducted a series of surveys of outsourcing providers, buyers and advisors (lawyers, consultants). Second, we analysed the content on outsource provider websites for CSER references. This exploratory research was not driven by any specific proposition or hypotheses. The survey questions were prepared based on Carroll's Pyramid of CSR (Carroll, 1991), with additional questions regarding environmental issues, to understand where respondents would prioritise CSER issues. The survey was tested with members of the IAOP CSR committee who provided input and clarification to the survey questions. The research was exploratory to understand the issues and the importance of CSER in outsourcing, and was conducted rigorously using defined methods and protocol, and maintaining detailed transcription notes and analysis.

#### **Exploratory Surveys**

The first survey was sent to 24 persons between the 7<sup>th</sup> and 25<sup>th</sup> of June 2008. 13 responses were received by September 2008, only nine were usable, as four responses had insufficient data. All of the 24 persons invited to respond were members of CORE. The CORE survey is provided in Appendix B.

CORE conducts a series of management training sessions to educate individuals on outsourcing management. After four sessions (seven days) of training, participants write a final exam and become Accredited Outsourcing Professionals (AOP). CORE includes a CSER module within this training and agreed to allow a paper-based survey to be collected from the class participants. Table 3.10 below provides information on the survey dates and volumes collected. The survey was voluntary and anonymous although some participants voluntarily provided their name and email for follow-up discussion. The survey questions were identical to the electronic survey questions.

**Table 3.10: CORE CSER Surveys**

<b>Date</b>	<b>Surveys collected</b>	<b>Organisations represented (identified voluntarily on survey response)</b>
June 7 to 25 2008	9	<ul style="list-style-type: none"><li>• Bombardier</li><li>• Bank of Montreal</li></ul>
October 23 2008	9	<ul style="list-style-type: none"><li>• Bank of Montreal</li><li>• Canadian Imperial Bank of Commerce (CIBC)</li></ul>

February 26 2009	9	<ul style="list-style-type: none"> <li>• CIBC</li> <li>• Maple Leaf Foods</li> </ul>
February 24 2010	12	<ul style="list-style-type: none"> <li>• Manulife Insurance</li> <li>• Rogers Communications</li> <li>• Bell Canada</li> <li>• eHealth Ontario</li> </ul>
October 27 2010	10	<ul style="list-style-type: none"> <li>• Bombardier</li> <li>• Canada Wheat Board</li> <li>• Bank of Montreal</li> </ul>
Total CORE surveys	<b>49</b>	

IAOP agreed to conduct a similar electronic survey of its members regarding CSER in 2009. The survey was much broader than the CORE survey and was conducted using IAOP's proprietary electronic survey tool. The survey consisted of 75 questions. Six of the key questions align with the CORE paper survey and the SurveyMonkey questionnaire distributed to respondents in Canada in 2008. The IOAP survey was announced through an email in late July 2009 to several thousand IAOP members and affiliates. In total, 178 responses had been received by the end of November 2009. Half of the responses came from outsource providers. Of the remaining respondents, 29 percent were outsource buyers and 17 percent were advisors. The final four percent were academic and press representatives. An Excel data extract was provided from the proprietary IAOP survey database. Using this information, a paper on CSER in outsourcing was prepared for IAOP and presented at the IAOP February 2010 Outsourcing Summit (Babin and Hefley, 2010).

NOA conducted a similar survey, again with six questions that were aligned with both the CORE and IAOP surveys. The survey was distributed electronically to NOA members and the results were collected from 30 March to 14 April 2010. A total of 53 surveys were collected. An Excel data extract was provided from the proprietary NOA survey database. Table 3.11 below summarises the survey data collected from all three sources.

**Table 3.11: Summary of CSER Survey Data Collection**

<b>Data collection period</b>	<b>Source</b>	<b>Respondent location</b>	<b>Number of respondents</b>	<b>Comments</b>
June 2008 to October 2010	CORE	Canada	49	See Table 3.2 above and Appendix B
July 2009 to November 2009	IAOP	Global, with 49% from USA	178	Proprietary IAOP electronic survey
March 2010 to April 2010	NOA	UK	53	Proprietary NOA electronic survey
<b>Total responses</b>			<b>280</b>	

### **Website Content Analysis**

In the second component of the quantitative phase we examined the content of websites of leading global outsourcing providers to understand how they publically present their CSER. We used the International Association of Outsourcing Professionals (IAOP) list of “2008 Global Outsourcing 100” to identify a list of 19 leading global IT outsource providers. We then examined the providers’ web site to assess whether they participated in any of the global CSER standards.

Coding was conducted during May and June of 2009 by examining the provider website for any mention of the CSER criteria established above. When a CSER criterion was mentioned the provider reference was cross-checked with the standards organisation of the auditing organisation for verification (e.g. GRI, CDP, ISO, UN). We determined an overall CSER maturity as the arithmetic summation of whether the outsource provider participated in GRI, GRI verification, CDP, UN Global Compact, ISO 14001, ISO 26000, and was listed in at least one SRI. To determine CSER maturity one point was allocated for participation in each of the above standards. This approach to scoring is similar to a maturity ranking model described by Holland and Light (2001). The results of the content analysis are presented and discussed in Chapter 5.

This analysis covered 19 representative, albeit large, GITO providers. A limitation of this research approach is that data for large GITO providers are readily available, while CSER data was not readily accessible for smaller providers.

### ***3.6.3 Phase 2: Qualitative. December 2009 to January 2011***

The final stage of the research was a detailed case study at Co-operative Financial Services (CFS) in Manchester. The case interviews included representatives from two CFS outsource providers, Steria and Infosys. The case study was sponsored by the leader of the IT Strategic Partnerships group, which is responsible for management of all IT outsourcing contracts with over 100 vendors. The CIO at CFS strongly supported the case study, both as a participant and as a recipient of the final report. We interviewed the CIO in June 2010 and January 2011, and he commented on the importance and relevance of the research, and his receptiveness to the emerging conceptual framework.

The case study was explanatory, seeking to explain new outsourcing models and business frameworks. In selecting CFS as our case study we found an organisation with a very strong social commitment, which allows this research to create a model as a guide to other organisations. Moreover, the organisation Steria has similar commitment to social responsibility, both locally and in India. By conducting interviews onsite at CFS over several weeks, in meeting rooms, in offices and in common areas such as the cafeteria, we gained a strong understanding of the culture and dynamics of the organisation, which could not have been gleaned through other research methods such as a survey or a focus group. For example, we learned about the strong social responsibility of CFS by reading their newsletters and postings. We learned of the importance of measuring their progress holistically with the IS balanced scorecard posted throughout the IS department.

The phenomenon of CSER in outsourcing was not frequently discussed when we began our research in 2008, and the real-life context of CFS has provided strong evidence of contemporary practices to which theoretical frameworks can be added to create a model for others to emulate. As will be discussed in Chapter 6, CFS as a member of the Co-operative group has a very strong social orientation that began in 1844. The outsource provider Steria also has a strong social orientation. This case represents an “extreme case or unique case” (Yin, 2009, p. 47) which supports the rationale for a single case. Although there may be other examples of outsource buyers and providers with strong social orientations, this case provided an exemplary model for examination of CSER in outsourcing.

The case study consisted of four stages, summarised in Table 3.12 below.

**Table 3.12: CFS Case Study Stages**

<b>Case Study Stage</b>	<b>Key activities</b>	<b>Timing</b>	<b>Outcomes</b>
1. Introduction and Preparation	<ul style="list-style-type: none"> <li>• Meet sponsor</li> <li>• Define case study scope</li> <li>• Review background documents</li> <li>• Review research literature</li> </ul>	<ul style="list-style-type: none"> <li>• Six months offsite: December 2009 to May 2010</li> </ul>	<ul style="list-style-type: none"> <li>• Agreement to proceed</li> <li>• Discussion framework</li> <li>• Terms of reference</li> <li>• Interview schedule</li> </ul>
2. Initial Field Work	<ul style="list-style-type: none"> <li>• Conduct interviews</li> <li>• Collect sample documents</li> <li>• Prepare transcriptions</li> <li>• Consolidate notes</li> <li>• Analyse themes</li> <li>• Prepare draft report</li> </ul>	<ul style="list-style-type: none"> <li>• Two weeks onsite: June 2010</li> <li>• Two months offsite: July-August 2010</li> </ul>	<ul style="list-style-type: none"> <li>• Interview transcripts</li> <li>• Preliminary key themes</li> <li>• Follow-up actions</li> <li>• Preliminary analysis and report</li> </ul>
3. Secondary Field Work	<ul style="list-style-type: none"> <li>• Conduct additional interviews</li> <li>• Revisit some initial interviews</li> <li>• Review relevant literature</li> <li>• Preliminary feedback to management</li> </ul>	<ul style="list-style-type: none"> <li>• One week onsite: January 2011</li> </ul>	<ul style="list-style-type: none"> <li>• Final key themes</li> <li>• CFS Management Report</li> <li>• Discuss case at NOA seminar</li> </ul>
4. Final Analysis and Report	<ul style="list-style-type: none"> <li>• Prepare and communicate findings and analysis</li> </ul>	<ul style="list-style-type: none"> <li>• Two months offsite: February -March 2011</li> </ul>	<ul style="list-style-type: none"> <li>• Final analysis and reports</li> <li>• Submitted journal paper</li> <li>• Submitted conference paper</li> </ul>

The first stage involved initial contact between the research team (research R. Babin, supervisor Dr. B. Nicholson) and CFS. During this stage the credibility of the research team was established as well as the terms of reference for the study and the discussion outline for the interviews. The first stage began in December 2009 and was completed by May 2010. Two face-to-face meetings were conducted in December 2009 and January 2010 during the first stage, with the case sponsor in Manchester. Several conference calls were conducted during the following months. The conference calls focused on the terms of reference, the discussion guideline, and the logistics for the case interviews in terms of when and who would be interviewed. One of the major outsourcing providers, Infosys, participated in part but not all of the first stage preparation.

The second stage was an intensive two-week period of interviews conducted onsite at CFS headquarters in Manchester, in June and July 2010. In this period, 23 interviews were completed. Appendix C provides a copy of the structured interview framework and Appendix D provides a list of the interviews conducted in this stage. The interviews were electronically recorded, the recordings were transcribed by an external service and reviewed by the researcher. A total of 15 hours of interviews were recorded, with the average interview lasting about 40 minutes. Most interviews were conducted in a conference room at CFS. When the conference room was unavailable two interviews were conducted in the CFS cafeteria. Where appropriate, supporting documents were provided to the researcher to substantiate points made in the interview.

Each interview transcript was reviewed to extract key themes. All themes were colour coded to identify the frequency of mention across all interviews, allowing the researcher to quantify and prioritise the key themes. As described by Miles and Huberman (1994, p. 57), "Codes are used to retrieve and organise ... the various chunks so the researcher can quickly...cluster the segments relating to a particular research question, hypothesis, construct or theme. Clustering... then sets the stage for the drawing of conclusions". Table 3.13 below depicts the key themes that were extracted from the CFS interviews. The coding approach was inductive, in that no a priori codes were established. As Miles and Huberman comment this coding approach is useful to work with data "to see how it functions or nests in its context, and determined by how many varieties of it there are". They also strongly encourage continuous coding which should occur shortly after the interviews have been completed, not late in the data collection cycle "because late coding enfeebles the analysis". In this research the researcher and supervisor would review the key themes at end of day, before the transcripts had been compiled and prior to the next set of interviews. This allowed preliminary analysis to inform the next set of interviews. The initial themes which appear in Table 3.13 were prepared after all transcripts had been received and reviewed. As Miles and Huberman state: "The ultimate power of field research lies in the researcher's emerging map of what is happening and why... Coding, working through iterative cycles of induction and deduction to power the analysis, can accomplish these goals" (1994, p. 65). The full set of themes in Table 3.13 will be summarised in Chapter 6 to a smaller set of key themes.

**Table 3.13: Initial Themes from the CFS Case Study**

Initial Theme	Frequency of Mention
1. Collaborative CSER develops trust in a long-term relationship between buyer and supplier	14
2. Collaborative CSER reduces attrition, improves staff retention	4
3. CSER has become a required competency in outsourcing RFPs, bids and contracts – something to measure, should be measured	14
4. CSER improves communication in outsourcing	2
5. CSER cannot be forced, must be personal, should not be cynical ‘bolt-on’ or ‘banner’ for short-term marketing purposes	13
6. CSER builds team morale and engagement; inspires commitment to work longer, harder	4
7. Co-op is unique, a leader in CSER	5
8. A constant tension between CSER and ethical goals and commercial success	4
9. The outsourcing paradox – need to reduce costs and still have a social responsibility to our labour force	8
10. Halo effect – Co-op gets the attention of suppliers	4
11. CSER attracts, engages & retains workers, especially young workers	3

The third stage, which was conducted after the initial analysis, involved secondary field work, reviewing the preliminary findings and collecting further data. Additional documents identified in the interviews were collected and reviewed. Five follow-up interviews were conducted to gather additional information that may have been missed in the first round. A list of persons interviewed is presented in Appendix E. This stage was completed in January 2011.

The fourth and final stage of the CFS case study consisted of the sharing of information with key stakeholders in the case study, for discussion and if appropriate, for planning purposes. A management report was presented to the CFS executives, the CIO and the head of the IT outsourcing unit. This allowed the researcher to validate initial interview findings, to explore the concepts developed in the interviews, to develop an emerging theoretical model with the executives, and to continue to build trust and support for the research. Both executives were very

receptive to the interpretation of findings and the implications for their operations. An article has been prepared with the outsourcing head as co-author and published in the Communications of the ACM (Babin et al., 2011). We also conducted additional interviews with Steria executives, and presented our preliminary findings for discussion. Additionally, the research findings were presented and discussed at a National Outsourcing Association seminar in Manchester in January 2011. The seminar was attended by about 40 people. At the seminar presentations on CSER were also delivered by The National Trust, Fujitsu, Cadburys, the Centre for Development Informatics and by the host, legal firm DWF.

### **3.7 Theorisation: Linking Data and Theory**

Our case study work began with two underlying theoretical frameworks, the Pyramid of CSR (Carroll, 1991) and the Outsourcer Capability Model (Feeny, Lacity et al., 2005), which were identified in the approved 2008 research proposal. As we explored the concept of CSER through the initial case studies, and then with the survey data, it became clear that these theoretical models, although helpful, were insufficient to fully explain the phenomena of CSER in outsourcing. In examining the CFS / Steria relationship the concept of trust became an important topic, both as a prerequisite to and as an outcome from CSER collaboration. Therefore theories of trust became important to the research (Lewicki and Bunker, 1996; Lewicki, Tomlinson et al., 2006) and replaced the Outsourcer Capability Model. Finally, our research began with the exploration of compliance to CSER requirements, such as the Global Reporting Initiative and the UN Global Compact. Again, in the case studies we found that compliance was a starting point for CSER and that higher-value CSER activities were more strategic. Porter and Kramer's model for Strategic CSR (Porter and Kramer, 2006; Porter and Kramer, 2011) was better suited to explaining the findings from the case and replaced Carroll's Pyramid of CSR model. The case research further developed these theories, by combining the trust and strategic CSR theoretical models, as depicted in Figure 6.6. Although the research was directed by two initial theoretical models, the findings resulted in a more appropriate set of theoretical models that have been combined to better explain the phenomena of CSER in outsourcing and to provide a foundation for directing others on how to apply these concepts in an outsourcing relationship. The final theoretical models were determined after considerable review of alternate models, discussion between researcher and supervisor, discussion with colleagues at conferences and from reviewer comments in the peer review process of journal and conference papers (see Figure 3.1). The researcher and supervisor determined that the final theoretical models were most appropriate in explaining CSER in outsourcing, as observed

and analysed in the case studies. The models explained the concept of shared value, as seen in the CFS case, and described the increasing levels of trust in CSER described in all of the cases.

### **3.8 A Critical Assessment of the Research Methodology**

#### ***3.8.1 Research Methodology Challenges***

The research methodology described above faced several challenges, which are discussed in this section. The researcher identified these challenges prior to conducting the research, and took steps to minimise the risks, as described below.

**Challenge: Preliminary interviews may prejudice the detailed case study.** By conducting preliminary interviews, some participants may not agree to meet a second time, or may defer the detailed interviews to lower levels within the organisation. For example, the CEO of an organisation may agree to a preliminary one-hour interview but may be reluctant to spend a further two or three hours in a semi-structured interview.

We found that some initial participants were reluctant to continue the discussion. For example, one of the pilot case studies at Enbridge was very fruitful during the initial executive interviews, but these executives would not re-engage for a second round of discussions. In contrast, the major case study at CFS provided several rounds of discussion and showed increasing engagement as the research findings were discussed with senior management.

**Challenge: Participants may be reluctant to provide full information.** Many of the outsource provider participants are competitors and may be reluctant to provide strategic or competitive information, even with formal signed assurances and agreements. Access to information will be available only as the researchers develop trust and confidence with the respondents. The project runs the risk that an unmanaged disclosure of confidential information would ruin the researcher's credibility and restrict access to further information. The research team must take great care to manage the security and confidentiality of respondent information. At the same time, researchers require the ability to publish relevant information.

Related to information confidentiality, the Non-Disclosure Agreement (NDA) restrictions may inhibit publication of findings, or the publication may be weakened without the ability to reasonably identify the source organisation or depict the details of specific examples. However, without an NDA many organisations will not agree to interviews or research surveys.

In particular, the CFS case study highlighted this challenge. We visited the Infosys global training centre in Mysore, India as part of the CFS case, to understand Infosys intentions regarding CSER. Prior to the visit and discussion of the case, Infosys required a signed NDA from the researchers with the right to review any publications prior to release. Although we received a gracious tour of the Infosys facilities and a presentation on CSER, the Infosys representatives were reluctant to participate in the CFS case study. For example, despite repeated calls to participate in interviews only two Infosys representatives agreed to be interviewed. In direct contrast, another CFS outsource provider, Steria, did not require an NDA to participate in the case study. Steria representatives were very accommodating with interviews, support data and second round discussions regarding the CFS case study. In total seven Steria representatives participated in the study, with a number of persons providing multiple interviews.

In our assessment of the CFS case study in Chapter 6 we discuss the potential bias of the providers Infosys and Steria, who compete to increase their volume of outsourcing at CFS.

Northern Trust provided another example of reluctance to provide full information. A presentation was made by Northern Trust to an audience of about 30 people at the 2011 IAOP Outsourcing Summit on CSER collaboration between outsourcing buyer and provider. Although the presenters would speak on the topic they would not provide copies of the presentation slides and were reluctant to be quoted in the post-presentation interview.

**Challenge: High costs for detailed case studies.** Case studies present a particular challenge in terms of cost and resources, in that the time to execute and the volume of data available to be collected may be excessive. As Yin (2009, p. 3) cautions, “Do not underestimate the depth of your challenge”. The case study conducted at CFS required three visits to Manchester for the Toronto-based researcher for a total of 17 days, a five day trip to Bangalore and Mysore in India, and many conference calls in between. Over 15 hours of interviews were transcribed by an outside service and then verified and coded by the researcher. The duration of the case study was 14 months, beginning in December 2009 and finishing in January 2011. This investment of time and money has resulted in a high level of trust and support from the case participants. For example, at a seminar sponsored by the National Outsourcing Association (NOA) in January 2011, the CFS sponsor and the Steria sponsor strongly endorsed a public discussion of the case findings. The research team continues to gain access to senior CFS executives to discuss the implications of this research.

**Challenge: Researcher bias.** An important challenge that the research must address is the bias that may be introduced by the primary researcher, who will bring experience and potential pre-conceived ideas to the study. Social research literature has recognised this potential bias (Lansisalmi, Peiro et al., 2004), (Bryman and Bell, 2007). As Bryman points out, “what we ‘see’ when we conduct research is conditioned by many factors, one of which is what we already know about the social world being studied”. From a critical realism perspective, the orientation of the researcher must be acknowledged.

To address this challenge the research proposal has been discussed at three research colloquia: at IFIP 8.2 at the International Conference on Information Systems (ICIS) in December 2007, at the Ryerson University Doctoral Research Colloquium in May 2008, and at the Manchester Business School Doctoral Conference May 2009, to help minimise researcher bias. Also, preliminary research findings have been presented and discussed with industry representatives at four CORE education seminars (see Table 3.8 above), and at the NOA seminar in January 2011. Feedback from over 100 conference, colloquium and seminar participants has helped to improve the research approach and to minimise researcher bias. This challenge will be discussed further in Section 7.5.2 in the conclusion to the thesis.

The researcher has a strong industry background in outsourcing, having been a senior management consultant at KPMG and at Accenture for 20 years. Two of the pilot cases, at Enbridge and at Rio Tinto, were introduced through Accenture colleagues. The researcher’s background allowed him to gain credibility quickly with the interviewees, which was useful in building trust during the interviews. Additionally, having an industry background has allowed the researcher to induce theoretical models from the case to explain the value of CSER in outsourcing. For example, as a management consultant, the researcher is very familiar with the Nolan stages of growth theoretical model and its applicability to IS, having worked for Nolan, Norton and Co. in the early 1990s.

**Challenge: Selecting representative research participants.** Another important challenge to this overall research strategy is the method of selecting participants. Initial respondents were personal contacts from industry. However, the selection pool is biased in that participants will be larger, receptive, generally responsible organisations who are motivated to communicate their CSER practices to researchers who can portray their good reputations in published reports. The smaller, less responsible organisations will be harder to find and more difficult to include in the research.

During the research phase we interviewed representatives from six outsource providers, although most were very large global organisations: Accenture, EDS, IBM, Infosys, Tata Consulting Services and Steria. To balance this challenge we examined the public CSER profiles of 19 outsourcing firms, which we describe in Chapter 4.

**Challenge: Rapid changes in the research topic.** One final challenge is the rapid pace of developments regarding CSER and outsourcing. Two comments have emphasised the speed at which this topic is evolving. First, in 2008 the head of International Data Corporation (IDC) Canada mentioned to the researcher how the issue of environmental responsibility was not “on the radar” two years ago, but today attracts hundreds of participants to IDC conferences. The second comment was from an outsourcing advisor in 2008 who commented in the interview that CSER was not an immediate topic of concern. Within an hour after the interview, this lawyer sent an email describing a client request for proposal (RFP) that required an outsourcing approach to reflect their profile as “an ethically and socially responsible company.”

One additional note on the increasing interest of the topic: at the 2011 IAOP Outsourcing World Summit, approximately 700 delegates were asked to respond to a real-time question: “Is CSR a factor in your outsourcing decision?” The audience used radio ‘clickers’ that allowed responses to be collected and tabulated in real-time. Table 3.14 below is the distribution of responses with 80% responding “always”, “frequently”, or “sometimes”. In contrast to these results, the 2009 IAOP CSR survey (Babin and Hefley, 2010) found that only 62% of outsourcing customers reported making CSR a factor in their outsourcing decisions (always, often, sometimes). 178 IAOP members responded to the 2009 survey, which is available from the IAOP website.

**Table 3.14: IAOP Survey: Is CSR a Factor in Your Outsourcing Decision?**

	<b>2009</b> n=178	<b>2011</b> n=~700
Always	8%	31%
Frequently / Often	23%	26%
Sometimes	31%	23%
Rarely	25%	13%
Never	12%	7%

These survey results suggest there is a strong growth of CSR in outsourcing from 2009 to 2011, growing from 62% to 80% (always, frequently, and sometimes). In particular, the number of respondents who answered “always” almost quadrupled, from 8% to 31% in two years.

Finally, the research period from 2008 to 2011 has seen many changes in the global economy, including a major global recession which has impacted the views of buyers and providers towards CSER. This challenge will be discussed more fully in Chapter 7, Section 7.5.1.

### **3.9 Summary of Research Methodology and Chapter Conclusion**

This chapter has provided a four-part roadmap of the research methodology. The chapter describes: 1) the philosophical foundations for the research, 2) the overall research approach, 3) the design of the research including research protocols for specific techniques and 4) the collection of the research data. The chapter concludes with a critical assessment of the methodology.

This research adopts a critical realist ontology which posits that reality exists but that our ability to know that reality is problematic and requires multiple measures and research techniques. This research therefore uses an approach that includes both qualitative (interviews and case studies) and quantitative (surveys and content analysis) methods to triangulate and overcome the inconsistencies of each separate research method.

With critical realism established as the philosophical research foundation, the mixed methods research approach is described. Each individual research method is then described: case study, interviews, survey and content analysis; and the validity and appropriateness of the methods is then defended. The multi-phase, mixed-methods data collection approach is described next, with activities that began in 2008 and finished in 2011. Finally, the challenges of the selected research methodology are assessed.

The next three chapters describe, analyse and interpret the data collected from the research methodology described in this chapter. The explanatory case study at CFS is described in Chapter 6. Preceding this, exploratory pilot case studies are described in Chapters 4 and 5. The four pilot case studies provide valuable direction regarding CSER in outsourcing, so that the CFS case is able to focus on key issues.

In the next chapter the initial findings and interpretations from individual interviews and from case studies at Enbridge Gas Distribution and at Rio Tinto are described, and guidelines are presented for outsourcing buyers and providers regarding CSER in GITO.

## **Chapter 4. Phase 1 Pilot Studies: CSER and Outsourcing**

### **4.1 Introduction**

This chapter presents the results of the exploratory Phase 1 research conducted in 2008 and 2009 and identifies the CSER implications for GITO buyers and providers.

The findings from the interviews, surveys and pilot studies presented in this chapter guided the further research with pilot studies (Chapter 5) and the detailed case study (Chapter 6). The findings identified key themes that were refined and explored in the subsequent case studies. For example, CSER cynicism referred to as ‘green-washing’ was identified during preliminary interviews and in the focus group. The concept was explored further in the CFS case study, where interviewees referred to ‘bolt-on’ CSER. This important theme supported our theory around the concept of authentic and unauthentic CSER when developing the collaborative CSER model. The implication for our model, which can be traced to the preliminary interviews, is that authentic CSER will be required for collaboration, trust and shared value, as described in Section 6.4.3.

This chapter is organised as follows. First we present the CSER themes in outsourcing that arise from the Phase 1 interviews and a focus group. Second we present and discuss the findings from the three global surveys. Third we present, analyse and interpret the findings from the two pilot case studies. Fourth we interpret all of the above information to identify important trends to provide guidelines regarding CSER for outsource buyers and providers.

### **4.2 Key Themes from Phase 1 Interviews**

This section describes key themes derived from preliminary interviews with outsource buyers, providers and advisors. The interviews were designed to provide perspective on the broader research topic of how CSER considerations affect outsourcing decisions.

The Phase 1 interviews provided seven key themes which are described below.

- 1. CSER in outsourcing is new and relevant.** Several interviewees commented that the CSER factor in outsourcing was new, they had not seen any of these issues prior to 2008, but they expected CSER to be a growing issue in future outsourcing arrangements. One interviewee from a GITO provider stated: “CSER issues will not go away. They are complex and inter-related, across all business sectors”. One advisor commented on a recent client request for an explicit CSER profile in an outsource buyer Request for Proposal (RFP)

documents. In 2009 the Centre for Outsourcing Research and Education (CORE) began to include a CSER component in their education programme for Accredited Outsourcing Practitioners. In 2009 the IAOP conducted its first survey of CSER topics in order to provide guidance to its members. Overall, the interviews and other supporting data suggested that CSER in outsourcing would continue to grow as an important topic, which has been borne out over the course of the thesis research.

- 2. CSER will be driven by consumer concerns and employee expectations.** A recurrent theme from the interviews and at the focus group was the need to respond to consumer CSER pressures. Buyers commented that their organisations frequently respond to consumer pressures regarding CSER issues, as demonstrated by the Nike case (Zadak, 2004) where consumers reacted negatively to the use of child-labour in Nike supplier factories (Klein, 2000). Consumer product organisations have established CSER frameworks and focus on products that may be tainted by CSER issues such as child labour or worker safety. Consumer-oriented organisations rely on international standards such as SA 8000 to verify that suppliers are following appropriate CSER standards. Financial service interviewees suggested that reputational risk is an important issue in any outsourcing activity, and CSER is part of protecting a corporation's reputation, as suggested by other research (Werther and Chandler, 2005; Falck and Heblich, 2007). Companies that have established CSER processes for consumer products and services may be well equipped to quickly apply those methods to an outsourcing arrangement. For example, one retailer cited the need to review the ethical considerations in new merchandise offerings, such as labour conditions in manufacturing and the materials used to make the merchandise. These evaluation methods could also be used to validate CSER in an outsource provider.

Many interviewees expressed the importance of their employees' perception. As one focus group member stated: "Employees are driving CSER". Several interviewees expressed the view that younger employees have high expectations of their employer's CSER, which will become increasingly prominent as these young employees replace the retiring "baby boom" generation. The implication is that employers, especially in GITO providers (which often rely heavily on "bright young talent"), need a strong and positive CSER profile to attract and retain employees. Other researchers have made similar conclusions (Bhattacharya, Sen et al., 2008). A focus group member stated: "CSER is about retaining employees and nurturing new ones". A corollary of this is that outsourcing

buyers and providers will need to communicate with relevant internal and external stakeholders. This implies the need to understand and monitor the CSER expectations of key stakeholders such as consumers and employees and to measure and report performance against these expectations.

- 3. CSER is important to an organisation's brand reputation.** Several interviewees mentioned that major outsource providers would protect their reputation and “do the right thing” with respect to CSER. Several mentioned how the offshore outsourcing centres look identical to North American corporate campuses, providing an assurance that workers are treated fairly even though their wages are lower than in North America or Europe. One outsource provider, Tata Consulting Services, was explicit in citing CSER capabilities as a definite advantage compared to other competitors, and especially when compared to second-tier, or start-up, outsourcing providers. However, when second-tier organisations may be involved, in less well established outsourcing locales, they may be less attentive to their corporate reputation and interviewees commented that this may be a risk to a provider's CSER reputation. Section 2.5.1 described rural-sourcing (Lacity, Rottman et al., 2010) and impact sourcing (Nyoro, 2011) as socially responsible outsourcing (SRO) techniques that encourage outsourcing to less well established locales. From the interview comments we can interpret that SRO should be carefully considered in terms of how it will affect the reputation of a provider and possibly the outsource buyer.
- 4. Environmental topics are growing as important CSER issues.** A large GITO provider, EDS, reported that the British Columbia provincial government in Canada now “requires an outsourcer to comply with government goals of 30% reduction in carbon [greenhouse gasses] output by 2020”. The government requires outsourcing providers to supply “green” data centres, which can be challenging for providers who “built data centres when power was cheap”. This concern was echoed by an executive from another GITO provider who said: “CSER issues will be driven by increasing costs of power and potential government carbon tax issues”. As further evidence, The Green IT Review (Foster, 2009) cited the impact of the UK's Carbon Reduction Commitment on local and offshore data centres, suggesting that this cap-and-trade emissions reduction scheme will encourage more outsourcing of data centres and may penalise large UK-based data centres. At a 2008 IDC conference, called GreenIT, the conference chair commented on how rapidly the topic of environmental responsibility had developed in the last two years. As an example of the growing importance of this topic, the academic journal MIS Quarterly in 2010 issued a call

for papers to discuss the role of information systems in sustainability, with a focus on environmental issues.

For some outsource providers, attention to environmental responsibility will be both an economic issue and potentially a reputation issue. As will be described in a case study in Section 5.2.2, some providers such as Infosys see environmental responsibility as a competitive advantage in the outsourcing market. As described earlier in Section 2.6, environmentally friendly power may be driven by economic needs as the cost of power continues to rise, especially for data centres and related technology. For example, as power costs increase and power consumption in data centres increase, organisations must become more diligent in how they design and deploy ICT capabilities. Comments from the interviewees support the review of literature presented in Section 2.6, on environmental responsibility in outsourcing.

A key implication for IT infrastructure outsourcing providers will be the need for an efficient carbon management model. For example, outsourcing a data centre from North America to India may result in lower costs, but may result in higher carbon emissions because of the use of power from “dirtier” sources such as diesel and coal. A government tax on global emissions would force the buyer and provider to reconsider how and where outsourced infrastructure services are delivered.

As organisations begin to report their environmental profiles to stakeholders, those profiles are likely to include IT outsourcing providers. These providers will be expected to be at least as carbon-efficient as their customers. Such reporting is already evident in the Carbon Disclosure Project, (PriceWaterhouseCoopers, 2009) which collects information from major global organisations to report carbon emissions from operations, including supply-chain and outsource providers. In 2008, 1,550 global organisations participated in the Carbon Disclosure Project (CDP), representing an estimated 26% of all global carbon emissions. The implication is clear: GITO providers and buyers must be able to understand and comply with global standards such as CDP especially regarding environmental issues.

- 5. Due diligence is required to counter CSER ‘green-washing’.** Several interviewees suggested that a thorough walk-through of CSER credentials in the due diligence phase of contracting is the best way to ensure that the provider can live up to the CSER requirements of the buyer. A walk-through also protects against false CSER claims which some interviewees call ‘green-washing’ where an organisation presents an

environmentally responsible public profile but lacks the actual CSER “substance”. The buyers interviewed at this stage rarely or never validate an outsourcing provider’s CSER claims. No one we interviewed at this stage was able to quickly identify standards or norms other than the buyer’s own expectations for CSER. Furthermore, one advisor mentioned that acceptable CSER norms from North America may not be relevant in other economies and societies, so a buyer should not hold its provider to the same CSER standards. Chapter 6 will explore this theme in more detail and describe the ethical review process that Co-operative Financial Services (CFS) uses to validate CSER capabilities in outsource providers. Several interviewees cautioned that CSER may become a part of GITO providers marketing messages. Outsource providers may quickly respond to consumer concerns with slick marketing messages rather than substantive CSER programmes. And one person warned of “CSER hypocrisy” in GITO: “being good at home, but bad abroad”. The explanatory CFS case study provides more evidence of buyer scepticism of provider CSER claims, referred to as ‘bolt-on’ CSER in Section 6.3.5.

- 6. Government intervention forces CSER capabilities.** Government policies to reduce carbon emissions, usually through a carbon-tax, have forced outsource providers to become more efficient in power consumption for IT infrastructure. In Canada at least one province, British Columbia, has implemented a carbon tax, and others are discussing that possibility. Other jurisdictions, such as California, have similar laws that impact how an organisation manages its carbon footprint. In 2008 the UK government implemented the Carbon Reduction Commitment which targeted high power consumption organisations, such as data centres, that consume more than 6,000 MWh. In 2011 the Australian government introduced a plan for a carbon tax designed to reduce carbon emissions (Flanagan, 2011). For IT infrastructure outsourcers these government interventions indicate that efficient energy and carbon management capability are already important. For example, outsourcing a data centre from North America to India may result in lower costs, but may result in higher carbon emissions because of the less efficient power sources. A government tax on the global emissions would force the buyer and supplier to reconsider how and where outsourced infrastructure services are delivered. The implication here is for buyers to continue to be attentive to changing government regulations, in global jurisdictions where the outsource provider and its buyers operate.
- 7. Emerging global CSER standards will be applied to outsource providers.** The International Organisation for Standardization (ISO) Working Group on Social

Responsibility has completed a CSER standard, ISO 26000 which “provides guidance on the underlying principles of social responsibility, the core subjects and issues pertaining to social responsibility and on ways to implement social responsibility within an organisation” (ISO, 2010). These guidelines were accepted by ISO members in 2010 and the standards are starting to become the global benchmark for CSER across all organisations in any industry. Interestingly, none of the interviewees at this stage mentioned this standard. Similarly, the Global Reporting Initiative (GRI) which provides a uniform structure for reporting was not mentioned in any interview, although one of the interviewed firms (a bank) has registered their CSER report with GRI.

The above seven themes provided a direction for the research. For example, the themes provided direction for the interviews conducted in the case studies, and in the preparation of the survey questions. The next research step involved a focus group to consolidate the discussion from the individual interviews regarding CSER in outsourcing. Table 4.1 below presents the questions both from the panel moderator, the key theme in response to the question and representative quotes from panel members. Members of the panel members represented a Toronto law firm, IBM Global Service, Tata Consulting Services and the Ryerson University Institute for the Study of Corporate Social Responsibility. The comments from the focus group supported the seven themes collected from the interviews, and provided further support for the surveys and case studies that followed. For example, in the focus group one person expressed scepticism regarding the relevance of CSER in GITO, echoing a Friedman view that the purpose of business is to make money. This sceptical sentiment was commented on again in the CFS case study described in Chapter 6. Although the scepticism was not widespread, the focus group provided a forum for many views to be expressed and debated, which allowed for a more thoughtful and broad interaction with providers and buyers during the case studies.

**Table 4.1: Summary of Focus Group Comments, CSER in Outsourcing**

Question	Key Theme	Panel Quotes
<ul style="list-style-type: none"> <li>Opening remarks</li> </ul>	<ul style="list-style-type: none"> <li>CSER in outsourcing is new, and relevant.</li> </ul>	<ul style="list-style-type: none"> <li>“CSER issues do not go away [with outsourcing]. They are complex and inter-related, across all business sectors.”</li> <li>“Every RFP has a CSER component... Is outsourcing done to avoid CSER? No, it is just new to this decision.”</li> <li>“CSER is about leading by example, not just philanthropy.”</li> <li>“CSER involves incorporating environmental and social impacts into all decisions made by a company [including outsourcing].”</li> </ul>
<ul style="list-style-type: none"> <li>Q 1 - Why has CSER become important?</li> </ul>	<ul style="list-style-type: none"> <li>CSER will be driven by response to consumer concerns, which are enabled by global access to information through the Internet.</li> </ul>	<ul style="list-style-type: none"> <li>“The CSER movement is Internet driven, allowing people around the world to come together on issues... Stakeholders have become more empowered.”</li> <li>“Mobilization on the Internet and consumer demand/voice are driving the CSER initiative.”</li> <li>“The Internet allows communication across borders, inexpensively. Lower barriers lead to increased trade (WTO, GATT)... You can trade, but a new set of questions arise... How are you operating there? (Examples: China, India, mining companies) What is the social license?”</li> <li>“Globalization has impacted CSER by highlighting issues of labour standards and sustainability.”</li> </ul>
<ul style="list-style-type: none"> <li>Q2 - Is there scepticism about CSER?</li> </ul>	<ul style="list-style-type: none"> <li>Due diligence is required to counter CSER ‘green-washing’.</li> </ul>	<ul style="list-style-type: none"> <li>“Where there are marketing opportunities, people will take them. Everybody has something to say about being green.”</li> <li>“Consider the halo effect... In a survey, 30% of respondents said they always think about the environment when making a purchase, but only 3% do at the register... Companies that talk the talk but don’t walk the walk: Nike was caught in the 90s for being unable to deliver what they had promised... The first thing a company should do is “Just Do It”, and then you can talk about it.”</li> <li>“There is a delicate balance between saying nothing and saying too much about CSER efforts.”</li> </ul>

<ul style="list-style-type: none"> <li>• Q3 - Whose CSER standards should we live up to?</li> </ul>	<ul style="list-style-type: none"> <li>• Global CSER standards are being defined.</li> </ul>	<ul style="list-style-type: none"> <li>• “It’s a headache for global companies... Survey fatigue leads to coordinated disclosure to save energy answering questions.”</li> <li>• “CSER depends on the business you are in... The Global Reporting Initiative opens the door to CSER, driving change psychologically... The Equator Principles are used at banks for large loans... Sullivan Principles... Responsible Care Program for the chemical industry... ISO, the McDonald’s of standards. The ISO 26000 for CSER is being developed right now.”</li> </ul>
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### 4.3 Survey Results

Three surveys were conducted, as outlined in Section 3.6.2. The surveys provided directional data for the research, allowing the researchers to triangulate on findings from the interviews, case studies and content analysis. For example, in our interviews we heard of a gap between buyer CSER expectations and their validation of CSER credentials, which was borne out in the survey results. The surveys confirmed what we read in the literature, heard in the interviews and later in the case studies, that CSER is a growing issue in business and in outsourcing. First we describe the NOA and the CORE survey results and then we describe the larger IAOP survey results.

The CSER actions by buyers lag their CSER intentions. The survey results demonstrate that although outsource buyers will speak of the importance of CSER they do not consistently require CSER credentials from their providers and will validate the CSER credentials even less consistently. This implies that providers must be able to respond to buyer CSER statements, but there will be some latitude in interpretation. This also implies that providers who are CSER leaders may be able to influence buyers who have not fully established their CSER requirements and validation processes.

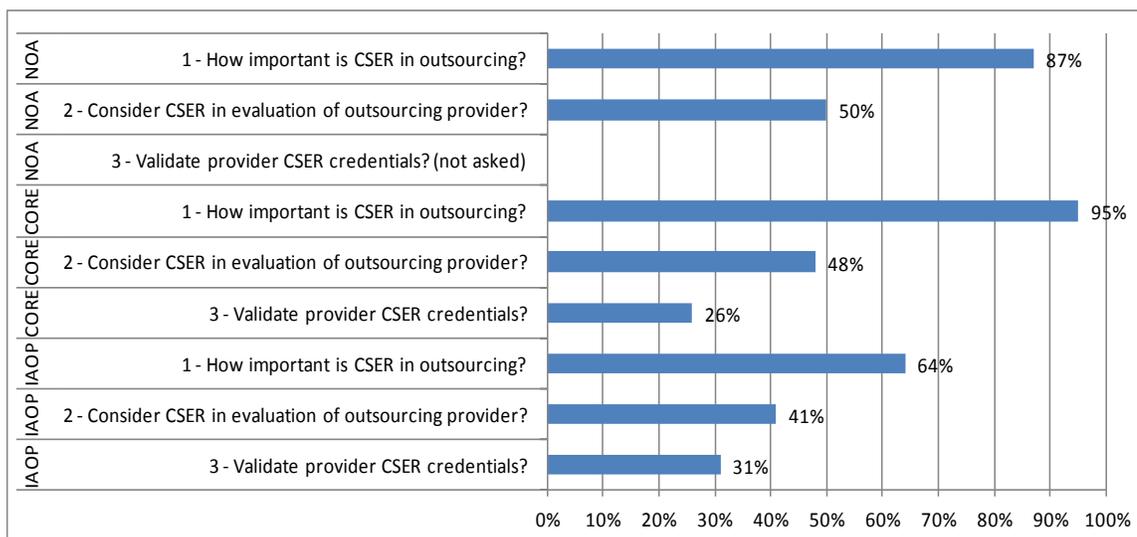
Table 4.2 below summarises the survey results from these three outsourcing professional organisations.

**Table 4.2: Survey Summary: CSER in Outsourcing**

Question	NOA Survey n=32	CORE Survey n=44	IAOP Survey n=166
How important is CSER in outsourcing?	87%	95%	64%
Consider CSER in evaluation of outsourcing provider?	50%	48%	41%
Validate provider CSER credentials?	n/a	26%	31%
Would <u>not</u> consider outsourcing as a social responsibility	42%	75%	58%

The number of responses in Table 4.2 has been revised from Table 3.11 to remove responses that were incomplete or were not from buyers or providers. Summary results from the three surveys are depicted below in Figure 4.1 in a chart that shows the decrease from stated importance of CSER (question 1) to evaluation of outsourcing provider (question 2) to actual validation of CSER credentials (question 3). The decrease in frequency of positive response from question 1 to 2 to 3 is consistent between NOA, CORE and IAOP surveys.

**Figure 4.1: Comparing CSER Stated Importance with CSER Action**



For NOA respondents, from the UK, 87% state that CSER is important. Interestingly, although 66% of outsourcing buyers include CSER requirements in their procurement processes, only 50% would give preference to outsourcing providers who demonstrate CSER credentials. In our interviews, buyers told us that CSER credentials were “table stakes” and expected that the providers would be

able to demonstrate CSER credentials. Similarly, we heard that although providers consistently described their CSER credentials, buyers did not always assess or examine the provider credentials. Overall, outsourcing providers appeared to be better prepared than buyers regarding CSER standards, with only 6% of providers unsure of which standards they participate in or subscribe to while 24% of buyers were unsure. This supports our proposition that providers who are CSER leaders may have an advantage in the competitive GITO market. This concept will be explored further in Chapter 5 where we measure the CSER maturity of GITO providers. In Chapter 6 we describe how providers who are CSER leaders can achieve competitive benefits through collaborative CSER.

Canadian responses are similar to the UK responses. In a set of surveys from CORE 95% of respondents agree that CSER will be more important in future outsourcing contracts. 48% of Canadian buyers consider CSER capabilities of the outsource provider when deciding to buy, compared to 50% in the UK. However, only 26% of Canadian outsource buyers validate provider CSER capabilities. In Canada 40% of buyers include CSER requirements as part of the formal evaluation criteria. This demonstrates a consistency between UK and Canadian GITO markets, which is repeated in the IAOP survey results. The results also demonstrate a gap between what buyers say and what they do, supporting our proposition of an opportunity for CSER leaders.

The largest survey was conducted by the US based International Association of Outsourcing Professionals (IAOP). Approximately 170 IAOP members responded to the 2009 electronic mail survey. The results were reviewed at the 2010 IAOP Outsourcing World Summit and at the 2009 IAOP European Outsourcing Summit (Babin and Hefley, 2010). Half of the 2009 respondents were US-based, while the rest came from all other areas the world. The importance of CSER in outsourcing was confirmed. Buyers reported that 30% of the time they always or often consider the CSER capability of the provider when making an outsourcing decision. An additional 34% of buyers sometimes consider CSER in an outsourcing decision. 41% of buyers will always, often or sometimes evaluate the outsourcing provider's CSR capability as part of your formal outsourcing evaluation criteria. Similar to the UK and Canadian results, IAOP buyers are less likely to validate CSER capabilities, with only 31% of buyers ensuring that outsource providers comply with social and environmental standards, through internal or third party audits of the outsource provider.

One final CSER topic that was asked of NOA, CORE and IAOP members related to socially responsible outsourcing (SRO). In the IAOP survey 58% of respondents would never or rarely outsource to developing regions of the world as socially responsible outsourcing (SRO). In the

NOA survey 42% of respondents would not consider SRO. At CORE 75% of respondents would never or rarely outsource to developing regions of the world as a social responsibility. At this time we conclude that SRO is a niche activity. We note that rural-sourcing, especially in the USA, is a type of SRO and appears to be increasing in some markets (Lacity, Rottman et al., 2010), but broader data on global SRO are not yet available. As a result of this survey data, we did not pursue SRO as a topic in our subsequent CSER case study research.

#### **4.4 Two Pilot Case Studies: CSER at Outsource Buyers Enbridge and Rio Tinto**

In 2009 two exploratory pilot case studies were conducted to examine CSER in outsourcing from the perspective of the outsource buyer. The first case study was at Enbridge Gas Distribution in Toronto Canada, where two global outsource providers, Accenture and TCS, have outsourced both IT and business processes. The second case was at Rio Tinto mining in Montréal Canada where Accenture and CGI provide outsourced IT and business process services. The two case studies are described below.

These two case studies were used to explore CSER in outsourcing. The preliminary interviews described in section 4.2 and the survey results described in section 4.3 helped to guide the case study exploration.

The two exploratory case studies at Enbridge and at Rio Tinto described below provide several lines of inquiry for the subsequent phase of research. For example, the two following case studies highlight the importance of aligned values, sometimes called cultural fit, which can be demonstrated through CSER commitments by the outsource provider. This becomes important in the detailed case study at CFS in Chapter 6, where collaborative CSER can only be accomplished when there is an agreement between buyer and provider on CSER priorities.

##### ***4.4.1 CSER at Enbridge Gas Distribution***

###### **Corporate Profile**

From June to September 2009 seven interviews were conducted with outsource buyers at Enbridge Gas Distribution and with two outsource providers to that organisation. Enbridge was selected for the case study because it has a strong public profile of CSER and has continuously outsourced parts of its IT operations over the last ten years. Enbridge Gas Distribution is a business unit of Enbridge Inc, a larger publically traded corporation. Enbridge Gas Distribution represents 16% of the overall Enbridge Inc. corporate earnings for 2010 (Enbridge, 2011, p. 36).

## **IT Outsourcing at Enbridge**

Enbridge has three currently active outsourcing contracts. The contracts are long-term (one is for 10 years, another is a five-year term) and of significant value (two are worth approximately \$120 million; the value of the third is determined by volume of work). Outsourcing is for customer service business operations, for SAP support and for staff augmentation. IT operations and infrastructure have not been outsourced and are under the direction of the IT Director.

All outsourcing decisions are reviewed by the Executive Management Team (EMT), and the Director of Public, Government and Aboriginal Affairs is a member of that team. When outsourcing decisions are made, CSER is not an explicit evaluation criterion. However, the Director of Public, Government and Aboriginal Affairs stated: “we should probably raise that” with outsource providers. Regarding CSER expectations for outsource providers, the IT Director stated: “we evaluate cultural fit with Enbridge”, and after the RFP response is reviewed, “it becomes important to understand cultural fit” of the provider.

Enbridge is taking steps to understand and document its complete carbon footprint, with a baseline being prepared in 2009 and a complete roll-out of a carbon data management system in 2010. Enbridge participates in the Global Reporting Initiative (GRI) and the Carbon Disclosure Project (CDP), and the organisation’s CEO has “committed to being carbon neutral by 2015”. The organisation publishes an annual Corporate Social Responsibility report which is based on GRI reporting requirements; the Enbridge CSER report for 2008 was 55 pages, the 2010 report was 190 pages, reflecting a growing CSER commitment and communications to stakeholders.

The Director of Public, Government and Aboriginal Affairs stated that Enbridge “does not ask outsourcers” to participate in CDP and GRI, although the EMT reviews all proposed outsourcing contracts to understand “the balance of cost savings versus impact to the Enbridge brand and image”. The Director further commented that CSER concerns at Enbridge are increasing; “we are at the beginning stages”. The organisation is implementing a new metric in the balanced scorecard to measure “brand and corporate responsibility”, which will be rated for all employees and “will have an impact on [personal] compensation”.

The Director of Public, Government and Aboriginal Affairs stated that Enbridge prides itself on “brand and trust of environmental responsibility”. CSER is seen as a valuable organisation characteristic because of the “reputation that brings and retains customers.” Additionally, of

CSER, “younger employees demand it. We are looked on as leaders and there is so much more to do.”

Enbridge expects to continue outsourcing IT into the foreseeable future. Regarding outsourcing evaluations, the Director of IT stated that Enbridge can “see CSER becoming important in the future”. The tripling of volume of detail in the annual CSER report, from 2008 to 2010, provides some evidence of the growing importance of CSER at Enbridge.

### **Enbridge - Emerging Themes from Interviews**

Cultural fit between buyer and provider, as discussed in Section 2.4, is important for outsourcing success and was mentioned by several interviewees. The theme of “cultural fit” has been mentioned in other interviews, but is always difficult to quantify. The Enbridge interviews were the first to suggest that CSER is a mechanism for quantifying if the provider views regarding society and the environment are aligned with the buyer’s which suggests a “cultural fit”. As we will explore in Chapter 6, this alignment provides a foundation for trust, which can be improved through CSER, in the outsourcing relationship.

### **Tata Consulting Services (TCS) - Responses to Interview Questions**

TCS, as a global IT outsource provider, demonstrates CSER trends in the GITO industry in the relationship with its buyer, Enbridge. TCS responses during the interview provide insight to the broader CSER themes in outsourcing and provide guidance for subsequent phases of the research.

The Country Manager at TCS is responsible for all client outsourcing engagements conducted within Canada. He is responsible for managing the outsourcing operations, including outsourcing marketing, sales, delivery, and operations. Additionally he is responsible for overseeing corporate functions such as accounting, personnel, government relations, etc., within the Canadian TCS operations.

The arrangement with TCS is to provide IT staff augmentation services, “a partner to leverage in terms of skills and capabilities on a global, multi-geography basis”. TCS provides an “ecosystem and an extension of the organisation [Enbridge] with ongoing control of knowledge”. The partnership provides “an extension of knowledge, reduced costs and improved quality” through IT outsourcing. Improved quality comes from a higher level of methodology rigour, for example using Capability Maturity Model (CMM) level 5 for software design and development.

Regarding CSER in the outsourcing review, Enbridge did not specify CSER capability in the Request for Proposals, nor did they specify “green requirements”. TCS has a strong profile on both CSER and environmental issues throughout the global Tata Corporation: “TCS must have an impact on the community that it is part of”.

TCS will work with Enbridge to develop a balanced scorecard reporting and measurement approach to help focus on “green”, with a holistic view of the overall Enbridge IT operation. The emphasis will be on “simplification, process orchestration and virtualization” and on “data centre server reduction”. These measures are not yet “baked into” the balanced scorecard but will be introduced in the next year, as both Enbridge and TCS “co-embrace” these environmental responsibility issues. The interviewee stated that these issues are “not sales tools” but are fundamental to the outsourcing business.

The Country Manager emphasised that TCS has committed to CSER at the corporate level, with a Chief Sustainability Officer who works with account teams to support causes that are important to clients. TCS reports an achieved “2% reduction in the carbon footprint in FY 07-08 compared to the prior year”. TCS will conduct a CSER project “in conjunction with clients where the outcome can be measured in a meaningful way”. The primary objective of the current outsourcing relationship with Enbridge “is to deliver on all parameters”, and then “take it to the second level. When [CSER] becomes a measurement point in one to two years, that will represent a maturity in the relationship” with Enbridge. TCS appears to anticipate growing CSER expectations from buyers such as Enbridge, which is aligned with the growth of CSER in outsourcing identified in the surveys described in Section 4.3 above.

The TCS discussion suggests the importance of CSER in developing the outsourcing relationship to a more mature level. We will explore the ability of providers to move to a more mature CSER level in Chapter 5.

### **Outsource Providers - Emerging Themes from Interviews**

Outsourcing providers, especially global organisations such as TCS, have recognised that buyers expect leadership in social and environmental responsibility. For example, the ‘cultural fit’ requirement articulated by executives at Enbridge suggests that providers must align with the CSER profile of their buyers. If CSER is important for a buyer such as Enbridge, then providers such as TCS must fit with that expectation. The outsource provider’s CSER reputation must reinforce

and not detract from the buyer's CSER profile. This exploratory pilot study has sensitised the researcher to the importance of cultural fit as buyers and providers collaborate on CSER, as we will explore in depth in Chapter 6.

Environmental responsibility has additional impact as suggested by TCS. Reduced energy consumption, which results in lower carbon emissions, is good business because it also lowers operating costs. Saving money through more efficient power consumption in data centres will always be an attractive business proposition from outsource providers to their buyers. Outsource providers recognise this, for example Accenture has advocated green data centres and the environmental benefits of moving to cloud computing (Nunn, 2007; Accenture, 2010). Outsource providers gain additional advantage when cost savings are also seen as environmentally responsible, helping to improve the 'green' brand and image of the outsourcer and its clients.

In the competitive outsourcing selection process, where Enbridge selected TCS, CSER was not a formal evaluation criterion in the RFP. However, when Enbridge executives conducted a site review as part of the final RFP assessment, the CSER component became a qualifying criterion. CSER may not have won the competition for TCS, but lack of CSER capability could have lost the competition, due to poor "cultural fit". After winning the outsourcing bid, CSER capability is expected as part of the overall partnership and will be gradually introduced as a Balanced Scorecard measurement. When we look at global CSER standards such as GRI, CDP and the UN Global Compact, the public CSER profile of an organisation can be readily measured, which will be discussed in Section 5.3.

This preliminary finding from major outsourcing buyers such as Enbridge suggests that a fruitful line of inquiry is to examine the qualifying criteria of CSER in RFPs to better measure the less specific "cultural fit" of outsourcing providers. This exploratory case study provides a starting point for our further examination of CSER requirements for outsource providers that we examine in Chapter 5 and the examination of collaboration between buyer and provider which we examine in Chapter 6.

In this case study, Enbridge has created a strong CSER public image for its stakeholders. As a result, the outsource providers are expected to live up to Enbridge's CSER image, either through informal "cultural fit" or more formal Balanced Scorecard measures which are still evolving.

In summary, the four themes from the Enbridge exploratory case study are listed below. These themes become propositions that led to further inquiry of CSER in the outsourcing relationship, which we examine in Chapters 5 and 6.

- Buyers look for cultural fit of an outsource provider, which includes a CSER profile.
- Outsource providers are working to develop more efficient power consumption, to reduce costs and to appear as more environmentally responsible.
- CSER will not be the deciding factor for buyers in awarding outsourcing contracts to providers, but lack of CSER could reduce an outsource provider's qualifications in a bidding competition.
- Global CSER standards can be used by buyers to assess provider capabilities and to quantify cultural fit.

#### **4.4.2 CSER at Rio Tinto**

##### **Corporate CSER Profile**

Rio Tinto (RT) is a global mining and metals processing firm. Major products include aluminium, copper, diamonds, energy products, industrial minerals and iron ore. Rio Tinto has established strong policies and practices regarding corporate responsibility. In 2008 Rio Tinto published a statement of business practices entitled "The Way We Work" (Rio Tinto, 2009). This document addresses openness and accountability as well as corporate policies regarding the environment, human rights, occupational health and safety and sustainable development. Rio Tinto has signed the United Nations global compact and supports many international social responsibility accords. A second Rio Tinto document called "The Way We Buy" (Rio Tinto, 2006) is a statement of procurement policies and practices within the organisation. This document defines how Rio Tinto will engage with suppliers and what the organisation expects of its suppliers. Rio Tinto expects that its suppliers will comply with the standards set out in Rio Tinto document "The Way We Work". This includes standards regarding environment, human rights, occupational health and safety and sustainable development. In other words, Rio Tinto expects its suppliers to adopt the same CSER standards that Rio Tinto applies to itself.

Rio Tinto's CSER focus is twofold. First RT concentrates on Health, Safety and Environment (HSE). Second they focus on community relations. The Rio Tinto Director of Sustainable Development and Community Relations in Montréal identified a global community relations diagnostic that Rio Tinto uses to self-assess its global CSER. The results from the diagnostic are recorded in a global social

environmental working tool. The process is reviewed by external auditor PriceWaterhouseCoopers.

The Director noted that CSER is viewed as a competitive advantage by Rio Tinto. This facet gave the first indication of the importance of the Porter & Kramer Strategic CSR model (2006) which was eventually used in the main study at CFS. He told us the following:

- Much of the future Rio Tinto resource development will occur in non-OECD countries, which generally have less developed social and environmental capabilities
- For example – in Madagascar a new RT site is being developed, and will likely remain active for more than 60 years. 45% of the labour force must be imported from elsewhere because of inadequate local skills. RT is committing to educational investment in the local population, with the expectation of lowering its labour costs over the 60 year life of the site.
- For example – Malaria is prevalent in Africa where RT has and will develop many sites. Malaria creates labour force absenteeism, for either the individual worker or when the worker must care for a sick family member. RT investment in community malaria prevention will help decrease labour costs through improved attendance.
- HSE and Community activities are being considered from a financial model perspective, so that appropriate investments are made in the short term for long-term benefit at Rio Tinto.

The overall message is clear that CSER is strategically important for Rio Tinto as a global corporation. In subsequent research, at CFS and with outsource providers such as Steria, we focused on areas where CSER is important to the organisation and how the outsource buyer and provider aligned their CSER priorities. We will show that CSER becomes a mechanism for agreeing on shared values between the buyer and provider and becomes an opportunity to collaborate on projects that both organisations see as important to help society and the environment.

We next explored the role of CSER in IT Outsourcing.

### **IT Outsourcing at Rio Tinto**

Rio Tinto is divided into multiple business units depending on the line of business. Interviews for this research were conducted at the Rio Tinto Aluminium (RTA) business unit which is based in Montréal. This business unit was formerly the Aluminium Company of Canada, called Alcan.

Most of Rio Tinto's IT operations are outsourced. Each business unit operates its own information systems and technology (IS&T). Global IS&T provides a set of shared services and IT capabilities for all business units. For example an SAP application that supports 25,000 business users is delivered by Global IS&T. Global software application support for SAP is outsourced to global provider Infosys. Computer Science Corporation (CSC) provides IT infrastructure support at all Rio Tinto global business units.

At RTA local IT infrastructure support has been outsourced to CGI, a Canadian based GITO provider. RTA has outsourced support for SAP software to global outsource provider Accenture.

Regarding CSER considerations in outsourcing, the Vice President of IS&T (RTA) noted that the issue has become increasingly important over the last eight years:

- In 2001 when the Alcan data centre was outsourced to CGI, CSER issues were not considered in the outsourcing arrangement.
- In 2006 when SAP support was outsourced to Accenture, there was considerable review of social responsibilities, which consisted of visits to Bangalore India to review employee support, well-being, and skills development.
- In a 2009 RFP for outsourcing RTA software applications support, Health, Safety and Environment (HSE) considerations were part of the vendor evaluation criteria – this is a pattern for future IT outsourcing contracts.

Next, we interviewed the Superintendent for RTA North America procurement to discuss CSER and IT outsourcing. He commented on the importance of “compliance with RT standards for sustainability” as part of the evaluation criteria for IT outsourcing. HSE factors now are always included in outsourcing RFPs. Providers are evaluated for their capability to deliver and to comply with RT standards prior to the award of an outsourcing contract. For example, RTA has checked the credentials of an outsource provider by going to the work site in Bangalore to audit the treatment of the workers and confirm compliance with RTA labour standards. Citing a recent procurement competition between IBM and HP, he commented that “price is not the only criteria, especially if the difference is marginal. Cultural fit with the values we share is very important because often outsource prices are comparable.” He noted that CSER will become more important in future procurements and he can see that trend “happening now”. To illustrate, the following is an extract of a CSER requirement from a Rio Tinto recent request for proposal sent to several major GITO providers in North America:

The Company is committed to the highest standards of safety, health and environmental practices and expects its suppliers to be similarly focused. ... The company will seek to establish a relationship with a supplier that can demonstrate it has the appropriate health, safety and environmental objectives and has the management systems in place to deliver on these objectives.

Clearly the CSER expectations at Rio Tinto have grown from initial outsourcing arrangements in 2001 and CSER qualifications have become important qualifications for outsource providers in competitive RFPs.

In summary, the three CSER themes from the Rio Tinto exploratory case study were as follows:

- Buyers look for cultural fit of an outsource provider, which includes CSER profile. It is interesting to note that 'cultural fit' was exactly the comment made by Enbridge representatives in describing their CSER expectations for outsource providers.
- Rio Tinto expects its suppliers to adopt the same CSER standards that Rio Tinto applies to itself, for example in the areas of health, safety and environment. This is another example of the importance of aligned values.
- CSER expectations for outsource providers are growing and will distinguish providers where price and quality for products or services are comparable.

These three themes from the exploratory case study provide us with lines of inquiry for our future work, in examining CSER profiles of GITO providers (Chapter 5) and in examining the role of CSER in the relationship between outsource buyer and provider (Chapter 6). The Rio Tinto case provides a hint of the importance of Strategic CSR, as described by Porter and Kramer, where a CSER can provide a distinctive competitive position in a market where products and services become standardised.

#### **4.5 Guidelines for GITO buyers and providers regarding CSER**

These first stage interviews, focus groups and surveys informed our subsequent work by developing propositions, lines of inquiry and candidate theoretical frameworks as explained. In addition we were able to provide some practical guidance for buyers and providers on CSER in GITO. In this section we provide guidelines for GITO buyers and providers which were previously published in "Corporate Social and Environmental Responsibility in Global IT Outsourcing", in MIS Quarterly Executive (Babin and Nicholson, 2009).

#### ***4.5.1 Understand Relevant CSER Regulatory Requirements***

Global IT outsourcing requires both buyers and providers to be aware of the government and non-governmental organisation standards and regulations described above in key theme six in Section 4.2 above. They will require knowledge of relevant regulations and capabilities to apply them in an outsourcing arrangement.

When specifying outsourcing requirements, usually in a request for proposal document, buyers should refer to regulatory and legal CSER requirements in the jurisdictions in which the buyer operates. Outsourcing requirements should provide information about the buyer's CSER standards and expectations. For example, one buyer that we interviewed asks outsourcing providers to outline how they will comply with the social and environmental policies described on the buying organisation's website. Buyers must also be able to assess a provider's CSER credentials, through both an initial walk-through validation and ongoing confirmations. If buyer and provider have both agreed to adopt a global CSER standard, such as GRI or ISO, compliance may be verified by an external party—e.g., ongoing certification by the standards organisation or by a third party auditor.

GITO providers will need to understand and comply with global, regional and national CSER regulations and statutory requirements. They should understand the current and emerging CSER requirements in all jurisdictions where they, and their clients, operate. Providers that can provide leadership in this area may have an advantage over competing outsourcing providers that have less mature CSER. Outsource providers with mature CSER will be able to provide leadership to their customers, especially when the provider's CSER maturity is superior to that of the buying organisation.

#### ***4.5.2 Anticipate Stakeholder CSER Expectations***

As discussed above in key theme two, in Section 4.2, employees and customers will increasingly influence CSER requirements, implying that organisations must anticipate their expectations. They will need the ability to monitor and manage stakeholder CSER expectations. Anticipating these expectations will allow organisations to readily respond to CSER inquiries, as described in the third guideline below.

Buyers need a reporting capability to deliver to interested stakeholders information on CSER performance and compliance with relevant laws, regulations and guidelines. They will need to work with their outsourcing providers to build this reporting capability, since some or all of the

data will likely come from providers' operations. An example is the carbon management database at Enbridge that will report on organisation-wide emissions; this database will be extended to include outsourcing provider information. Many large organisations already prepare an annual public report on CSER performance. Increasingly, stakeholders will expect outsourcing provider information to be included in such reporting.

Providers should work closely with buyers to provide CSER measures that meet global quality standards. Providers will need to measure and report on how they are supporting the CSER performance of individual clients.

#### ***4.5.3 Respond to CSER Inquiries***

Honest and forthright communications will increasingly be needed to confront stakeholders' potential CSER cynicism which was described in the fifth key theme in Section 4.2. Both outsourcing buyers and providers should expect enquiries from stakeholders, including government regulators, customers, news media, non-governmental organisations, shareholders, unions and employees, and must be able to respond.

Buyers should be trained in capturing, analysing and responding to CSER inquiries that will include requests for information about outsourcing arrangements.

Providers will need to work closely with outsourcing buyers to provide accurate and timely responses to CSER inquiries. The ability of a provider to respond will reflect directly on the buyer's external CSER reputation. In anticipation of CSER inquiries, providers should work with buyers to prepare an information repository of client-specific CSER information. The work of TCS to co-develop a CSER scorecard with Enbridge is an example of this guideline.

#### ***4.5.4 Embed CSER in Ongoing Operations***

This research shows that CSER is not a short-term or transitory phase, as demonstrated by growing CSER interest from the IAOP surveys. The challenges of social and environmental issues, along with developing global CSER standards, will require organisations to embed CSER capabilities into their ongoing operations. To achieve this, they should be able to regularly update the CSER knowledge base and to deploy that knowledge throughout the organisation. Acquiring the necessary capabilities will mean hiring new people and training existing employees, as described in the fifth guideline below.

Buyers should build CSER performance measures into outsourcing governance, using service-level agreements and other contractual mechanisms. Experts in CSER, from within the buyer organisation or from external advisory firms, should define how outsourcing providers will support CSER. Buyers should expect to provide regular outsourcing CSER reports, such as a GRI report, to their stakeholders both within and outside of the organisation.

Providers should adopt CSER best practices that will help their clients improve their CSER reporting. They should also offer clients a CSER reporting process that will dovetail with and support clients' CSER requirements and obligations, which is what TCS is doing with Balanced Scorecard measurements at Enbridge Gas.

**4.5.5 Develop a CSER Culture through Hiring and Education**

As described in the fourth guideline, CSER is a long-term commitment for both GITO buyers and providers. Organisations will need an ongoing hiring and education programme that builds a culture of social and environmental responsibility. The required skills will be focused on assessing and reinforcing CSER concepts in the organisation and its business partners. Professional organisations IAOP and CORE have included CSER in their accreditation programmes. Key theme two in Section 4.2 shows that organisations with a positive CSER profile will be more successful in attracting and retaining promising young talent.

Both buyers and providers will need to continually develop their internal CSER culture through hiring and education. Buyers will respond to the CSER demands of their industry. Providers can become centres of excellence and provide CSER guidance to their clients.

**4.5.6 Summary of the Guidelines**

Table 4.3 summarises the five CSER guidelines.

**Table 4.3: CSER Guidelines for Global IT Outsourcing (adapted from Babin and Nicholson, 2009, p. 131)**

CSER Guideline	Implications For Buyers	Implications For Providers
1. Understand Relevant CSER Regulatory Requirements		
Understand regulatory and legal CSER requirements for the client jurisdiction being served. Understand industry-specific	Articulate CSER jurisdiction requirements to outsourcing providers through request for proposal and outsourcing governance processes.	Respond to various global, regional and national CSER regulations and statutory requirements.

<p>requirements (e.g., manufacturing, resources).</p> <p>Understand outsourcing-specific requirements (e.g. data centre efficiency requirements).</p>	<p>Validate outsourcing provider’s ability to respond to regulatory and legal CSER requirements, through audit and due diligence.</p>	<p>Demonstrate levels of CSER compliance that are comparable to highest international standards through benchmarking against industry leaders.</p>
<p>2. Anticipate Stakeholder CSER Expectations</p>		
<p>Monitor and understand CSER expectations of key stakeholder groups (e.g., employees, recruits, customers).</p> <p>Communicate effectively and proactively with key stakeholder groups.</p>	<p>Working with the outsourcing provider, create factual reports on CSER accomplishments and comparison to benchmarks and standards.</p> <p>Communicate directly with key stakeholders. For example, provide a CSER report to shareholders.</p>	<p>Provide global quality measures, according to international standards, that provide evidence of CSER capability.</p> <p>Measure and report on how individual client CSER performance is being supported.</p>
<p>3. Respond to CSER Inquiries</p>		
<p>Provide factual CSER information as requested by government and other stakeholder groups.</p>	<p>Maintain a repository of CSER information, including outsourcing providers’ data.</p> <p>Respond to information requests.</p>	<p>Create client-specific CSER information repositories.</p> <p>Respond to client information requests.</p>
<p>4. Embed CSER in Ongoing Operations</p>		
<p>Measure, compare, report and communicate CSER accomplishments.</p>	<p>Establish CSER programmes as part of outsourcing management and governance.</p> <p>Use outside CSER experts to define programme.</p> <p>Communicate CSER achievements proactively to stakeholder groups.</p>	<p>Transfer CSER best practices to clients.</p> <p>Implement measurement and reporting processes that dovetail with client CSER requirements.</p>
<p>5. Develop a CSER Culture Through Hiring and Education</p>		
<p>Include CSER skills in recruiting and hiring processes.</p> <p>Create CSER skill development opportunities within and outside of organisation.</p>	<p>Emphasise importance of CSER skills for professional growth and success within the organisation.</p> <p>When recruiting, demonstrate importance of CSER within the organisational culture.</p>	<p>Recognise relative importance of CSER skills within client organisations.</p> <p>Provide CSER skill development opportunities and training to client organisations.</p>

## **4.6 Chapter 4 Conclusion**

This chapter has provided a foundation of empirical evidence from interviews, a focus group, two case studies and three surveys. This first phase of data collection has helped to clarify the key themes to be explored in subsequent exploratory cases and the CFS case study. For example, Phase 1 identified the importance and the separation of environmental issues from social issues. Phase 1 also identified the cynicism attached to CSER, where many see it as a marketing message. Equally important, the concept of cultural fit was identified, where values are common between the buyer and provider. This concept of cultural fit in the outsourcing relationship will be further developed in the CFS case study and is an influence in developing the theoretical concept of CSER collaboration in GITO.

All indications are that CSER is growing as an important issue in the GITO industry. However, we also heard that relatively few buyers are actively measuring CSER credentials in their providers and that CSER standards for GITO are non-existent. We have provided an initial set of guidelines for buyers and providers to develop CSER within their organisations. Various government and non-governmental organisations have defined, or are defining, CSER standards, but these may not be optimum for the GITO industry. To prevent inappropriate standards being imposed, we believe that major GITO industry participants—providers and buyers—should work together to develop an industry code of conduct that codifies accepted and expected CSER practices and the required skills. With this aim in mind, we are working with IAOP to collect data on how receptive outsourcing providers would be to an industry-defined code of conduct for CSER. This topic, and related research, will continue to evolve rapidly.

Chapter 5 will further examine CSER in GITO, from the perspective of outsource providers. Through two additional exploratory case studies, at Accenture and at Infosys, combined with a content analysis of CSER information on top outsource provider websites, Chapter 5 will present a profile of growing CSER maturity in the GITO industry.

## **Chapter 5. CSER Maturity at Global IT Outsource Providers**

### **5.1 Introduction**

In this chapter we examine CSER in outsourcing through the lens of global IT outsource providers. The chapter begins with an examination of a set of 19 leading global IT outsource providers to understand their CSER maturity. We then describe two pilot case studies, of outsource providers Accenture and Infosys, which seek to understand how these two providers apply CSER concepts in their business operations. These cases are exploratory because they provide direction on the role of CSER in GITO. The chapter concludes with an application and extension of the Porter and Kramer theory of Strategic CSR to global IT outsourcing as portrayed by the 19 providers and the two pilot case studies. A new model, called Collaborative CSER, is presented. The Collaborative CSER model builds on Porter and Kramer's model and is further refined in a subsequent case study in Chapter 6. The new model applies directly to the outsourcing relationship between buyer and provider and describes how the relationship can be improved while also creating benefits for society and the environment. The model and this chapter provide guidance to outsourcing buyers and providers on how to measure and improve their CSER, particularly in the outsourcing relationship.

### **5.2 Understanding CSER Maturity at GITO Providers**

Our quantitative research examined the profile of leading global outsourcing providers, using content analysis to understand how they publically present their CSER capabilities. Table 5.1 below provides the analysis of the top 19 outsource providers. The data collection for this table is described in Section 3.6.2 above.

**Table 5.1: CSER Profile of Top GITO Providers (Babin and Nicholson, 2011, p. 56)**

Company	IAOP 2008 Level	GRI	GRI Verification	CDP	UN Global Compact (Join Date)	ISO 14001	ISO 26000	Indices	Overall sustainability maturity
Accenture	1	2008 Spain	GRI	2007-2008	2008	Yes	-	DJSI NA, FTSE4Good	6
IBM Global Services	2	2007-2008	Self	2003-2008	-	Yes	-	DJSI NA/World	5
Infosys	3	2008	GRI/DNV	2006-2008	2001	Yes	-	S&P ESG	6
Capgemini	5	-	-	2006-2008	2004	Intention	-	FTSE4Good	4
TCS	6	2007-2008	GRI	2008	2006	Yes	-	S&P ESG, DJSI World	6
WiPro	7	2009	DNV	2007-2008	2008	Yes	-	S&P ESG	6
HP	8	2002-2008	Bureau Veritas	2003-2008	2002	Yes	-	DJSI NA/World, FTSE4Good	6
Genpact	9	-	-	-	-	Yes	-	-	1
Tech Mahindra	10	2008	GRI, Ernst & Young	-	2001	-	-	S&P ESG	4
HCL Technologies	11	-	-	-	-	Yes	-	-	1
EDS	12	2008	Self	2007-2008	-	Yes	Intention	-	4
ACS	13	-	-	-	-	-	-	-	0
CGI	14	-	-	2006-2008	-	-	-	FTSE4Good	2
HOV Services	15	-	-	-	-	-	-	-	0
Mastek	16	-	-	-	-	-	-	-	0
Hexaware	22	-	-	-	-	-	-	-	0
CSC	23	-	-	-	2008	Yes	-	-	2
Unisys	24	-	-	2006-2008	-	Yes	-	-	2
Atos Origin	n/a	-	-	2007-2008	-	Intention	-	-	2

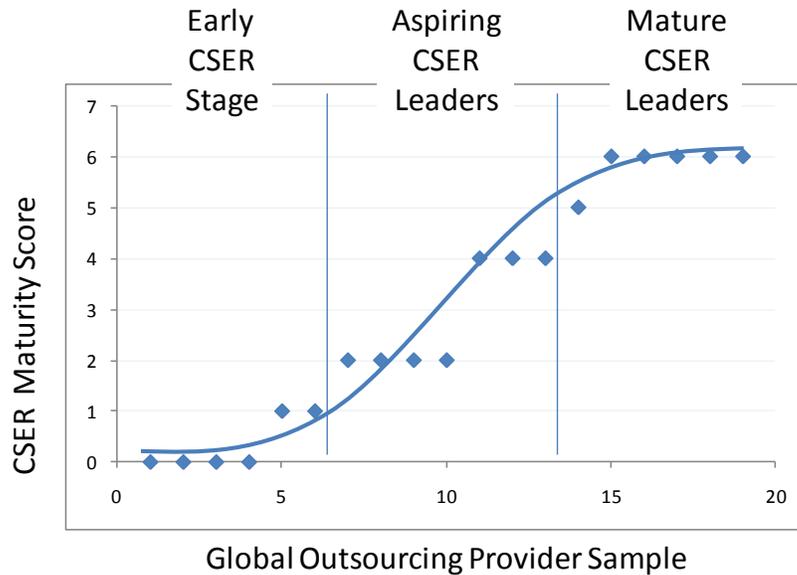
### **5.2.1 Stages of CSER in Global IT Outsourcing**

Using the CSER profiles from the content analysis phase we plotted the scores of the 19 GITO providers, depicted in Figure 5.1 below. An “S” curve is drawn over the plot to represent the stages of growth. Analysing the CSER scores plotted in Figure 5.1, and with an understanding of the qualitative assessments provided from the Phase 1 interviews described in Section 4.2, we formulated a three-stage model. None of the providers attained a top score of 7, although five companies scored a level of 6. The top scoring companies, with scores of 5 and 6, are deemed to be Mature CSER Leaders. Companies with a score of 2, 3 or 4 are described as Aspiring CSER Leaders, because they reported adoption of some but not all of the CSER standards. Companies with a score of 0 or 1 are described as Early Stage CSER Adopters.

This stage model is similar to the stage models presented by prior researchers (Holland and Light, 2001; Carmel and Agarwal, 2002; Gottschalk and Solli-Saether, 2006) and discussed in Section 2.8.1. The stages of growth model can be useful in identifying actions required to move to the next level of maturity. The stage model described below is a new contribution to outsourcing practitioners that will guide them on how and when to further develop CSER, based on their

current CSER maturity. For example, those in early stages should focus on one or two of the CSER standards, such as preparing an annual CSER report using GRI guidance.

**Figure 5.1: CSER Maturity of GITO Providers (Adapted from Babin and Nicholson, 2011, p. 57)**



In addition to the CSER maturity scores, we relied on the qualitative interviews described in Section 4.2 to provide a deeper understanding of CSER maturity in relation to three CSER characteristics: 1) the ability to understand and adopt global CSER standards; 2) the ability to anticipate and respond to CSER requests from stakeholders; and 3) the ability to embed and develop CSER capabilities within the organisation through hiring and ongoing training. These three characteristics are drawn from the guidelines presented in Table 4.3. Below we describe the characteristics of each stage of CSER maturity.

**Mature CSER Leaders:** The highest level of maturity contains the GITO CSER leaders who have adopted and participate in global environmental standards. The mature leaders are listed in one or more social responsibility index, such as the FTSE-4-Good. These leaders establish the CSER benchmarks for the global IT outsourcing industry. The leaders provide valued consulting advice to their customers on CSER.

**Aspiring CSER Leaders:** At the next level of maturity, GITO providers participate in some of the global standards, or have stated an intention to participate. These providers aspire to global CSER and follow the lead of the more mature organisations.

**Early Stage CSER:** In the early stage of CSER GITO providers have not yet embraced CSER or have decided that CSER is not important, or not affordable.

Table 5.2 below summarises how these three characteristics are displayed in the three stages of CSER maturity in GITO providers.

**Table 5.2: Key CSER Characteristics for GITO Providers (Adapted from Babin and Nicholson, 2011, p.58)**

	<b>Mature CSER leaders</b>	<b>Aspiring CSER leaders</b>	<b>Early stages of CSER maturity</b>
<b>1) Understand and adopt global CSER standards</b>	<ul style="list-style-type: none"> <li>• Participate in <u>all</u> of GRI, CDP, ISO 14000 and ISO 26000, UN Global Compact</li> <li>• Strong executive commitment to CSER standards</li> </ul>	<ul style="list-style-type: none"> <li>• Participate in <u>some</u> of GRI, CDP, ISO 14000 and ISO 26000, UN Global Compact</li> <li>• Stated intention to increase participation in CSER standards</li> </ul>	<ul style="list-style-type: none"> <li>• No participation in global CSER standards</li> <li>• Examples of CSER projects but lacking certification</li> </ul>
<b>2) Anticipate and respond to stakeholder CSER requests</b>	<ul style="list-style-type: none"> <li>• Protocol and responsibility established for stakeholder CSER communications</li> <li>• Increasing volume of white papers on CSER</li> <li>• Growing CSER consulting practice</li> <li>• Regular public reporting of CSER performance</li> </ul>	<ul style="list-style-type: none"> <li>• General responses through prepared environmental statements, not customised to individual stakeholder groups or issues</li> </ul>	<ul style="list-style-type: none"> <li>• No formal public reporting of CSER performance</li> <li>• Sweeping statements of CSER without supporting evidence</li> </ul>
<b>3) Embed and develop CSER within the organisation</b>	<ul style="list-style-type: none"> <li>• Explicit ongoing CSER training for all employees</li> <li>• Dedicated resources and management responsibility for CSER</li> <li>• Explicit management measurement of CSER achievements (e.g. metric in balanced scorecard)</li> <li>• CSER are core recruiting and retention messages</li> </ul>	<ul style="list-style-type: none"> <li>• Some understanding of CSER issues, although not formally supported, developed or recognised</li> <li>• Individual initiatives</li> <li>• Fragmented efforts throughout the organisation</li> </ul>	<ul style="list-style-type: none"> <li>• No formal CSER responsibility within the organisation</li> </ul>

In the following sections we further describe the characteristics that we have found in our research, both from interviews with buyers and providers (see Section 4.2) and through content analysis of GITO providers' websites. We describe the top CSER (maturity) stage first.

### **5.2.2 Stage 3: Mature CSER Leaders**

Six providers are classified as reaching the mature CSER leader level. All have achieved certification in the global CSER standards. They create and file annual GRI reports which are

validated by third parties, they provide input and are ranked in the annual CDP evaluation, they have implemented ISO 14001 and one is evaluating ISO 26000, and all but one these providers are signatories to the UN Global Compact.

CSER is viewed by advisors to be an increasingly important requirement for outsourcing providers. One outsourcing advisor at KPMG spoke of the importance of global standards such as CDP and ISO in the contractual and disclosure phase of outsourcing, and of how “CDP is a key model for GITO providers to understand” as well as the importance for GITO providers to achieve CDP certification. A GITO legal advisor in London spoke of the need for CSER standards in outsourcing contracts: “definitely out there, in the near future, as a matter of course people will expect it; [CSER] after some years will become boiler-plate” and CDP is “unquestionably on its way”. Another legal advisor in Toronto stated that “carbon credits are coming to the fore” because “they are tangible” in many jurisdictions. Regarding global CSER standards, one CSR advisor at Ryerson University declared that “GRI opens the door to CSR, driving change psychologically” within the organisation, which suggests that when organisations implement GRI they begin to change their social and environmental actions, becoming more responsible in both areas. Given this increasing importance, the mature CSER providers have responded by participation in CSER global standards.

CSER credentials help to distinguish outsource providers in a competitive market. In responding to requests for proposals (RFPs), mature providers can demonstrate a breadth of CSER credentials in terms of certification. As one senior outsource executive at Accenture told us, “carbon emission reductions will be part of many RFPs and proposals”, and another executive at the same firm stated as the 2008-09 recession recedes “competition looks different in an age of CSER development”. Although this analysis was conducted in 2009, we expect that many more GITO providers have adopted CSER standards to improve their ability to win competitive RFPs.

By increasing their CSER credentials, the mature providers are anticipating stakeholder requirements and expectations. As one GITO regional CEO at EDS explained, the CSER issue “train has left the station, everyone accepts this as an issue; environmental taxes and regulations will come from government, they are inevitable”. This means that CSER has become a normalised activity for mature outsourcing providers and their customers. There is no need to sell the CSER concept within the mature organisation. In terms of stakeholder expectations, one outsourcing buyer, Enbridge Gas Distribution, implemented a carbon data management system to track all carbon emissions from within the company and plans to include its suppliers. Another outsource buyer published its Environmental and Social Performance Standards for providers, which asks for

documented environmental management systems and measures regarding GHG emissions and energy consumption. The implication is that more and more buyers will expect providers to comply with their increasing CSER expectations.

Two mature GITO providers in the sample described how they offer CSER consulting services to buyer organisations. In one interview a GITO executive at Accenture told us of a CSER consulting practice that had grown to 1,000 people in under two years, although we expect that many of these consultants are re-deployed from other areas of the firm. Regardless, CSER offers a new and growing source of revenue for some consultancies. Another mature GITO provider, TCS, described helping a client to develop a balanced scorecard to focus on environmental issues in the outsourcing relationship. The implication is that CSER is useful to win competitive outsourcing deals, and also provides a revenue producing line of business.

Mature GITO providers use their CSER profile to attract and retain employees. They demonstrate and communicate their commitment to CSER through external advertising, events and internal communications. For example, CSER leader Accenture sent an email to all employees that touted a recent “strong showing” in the CDP evaluation, reflecting “robust carbon and energy measurements ... implementing Environmental Management Systems across [all] operations”. This same GITO provider launched an “Eco Challenge” which attracted participation from 19% of its global workforce and reduced carbon emissions by 40,000 tons. These internal statements are intended to encourage employees by acknowledging CSER progress and to instil pride within the organisation. As we found in initial themes described in Section 4.1, and we heard again at CFS (see section 6.4.1), employee motivation is an important reason to embrace CSER, because it helps to retain and encourage an often youthful workforce.

### ***5.2.3 Stage 2: Aspiring CSER Leaders***

GITO providers who aspire to CSER maturity have begun to adopt some of the relevant global CSER standards. However, of the seven GITO providers in this stage of maturity each one lacks participation in two or three of the CSER global standards. Five of the firms in this category do not participate in the GRI or GRI verification, at least in 2009. Four are not signatories to the UN Global compact. Four are not listed in any SRI and two do not participate in the CDP. One provider from EDS displayed cynicism in commenting at the focus group (see Section 4.2) that CSER is an additional tax on the outsourcing industry and should be rejected. Some GITO

providers in this category may be reluctant CSER participants, reacting to the CSER profile established by leaders and to the growing CSER expectations defined in buyer RFPs.

At these providers the CSER communications is less compelling and less complete than at the CSER leaders. The CSER reports at aspirants do not align with standardised GRI reporting formats. For example, aspiring CSER outsource provider CSC provides financial and business operation information on its website, but does not provide any formal CSER report (CSC, 2011). Similarly, aspiring CSER provider CGI on its website provides examples of philanthropic contributions to charitable causes. CGI “is proud” to identify participation in the FTSE-4-Good and the Dow Jones Sustainability Index (CGI, 2011). However, CGI does not provide an annual formal CSER report covering all aspects of its CSER performance. Contrast this with CSER leader Infosys which publishes an annual Sustainability Report (Infosys, 2009; 2010), formatted and registered according to GRI standards. The aspiring CSER providers provide this information as marketing collateral, rather than a formal CSER report. This implies that CSER is managed as a marketing activity within the aspiring provider, which may lead to scepticism from buyers.

Several of the GITO buyers interviewed in the preliminary interviews (see Section 4.2) and at CFS (see section 6.3) spoke of their personal cynicism regarding CSER initiatives. They were concerned that stakeholders such as customers or employees would see communications as “green-wash” without substance. The interviews at CFS identified “bolt-on” CSR which was viewed as an after-thought and was not embedded in the provider organisation or the outsourcing service. They expressed caution with regard to GITO providers who crafted a marketing message but did not “walk the talk”, because the CSER communication was not supported with verifiable data, such as an audited GRI report, as described in the CSC and CGI examples above. The implication is that aspiring leaders who follow the leaders must prove and convince stakeholders that their CSER is authentic.

#### ***5.2.4 Stage 1: Early Stage CSER Providers***

In early stage CSER the GITO providers in the sample have not yet adopted global CSER standards. Of the six GITO providers in the early stages of CSER maturity, two participate in only one global standard and four do not participate in any. Some participate in minor programmes, for example GITO provider Mastek participates in the Planet Partner Program which offers environment-friendly solutions for recycling printer cartridges.

Of the 19 firms analysed in this way, the smaller firms (based on revenue) tend to be the ones who have adopted fewer or no standards. Carmel and Nicholson (2005) have examined the challenges that small firms face as a result of the relatively high transaction costs related to outsourcing. Their research notes that “small firms are disadvantaged relative to large firms in a wide range of resources crucial to coordination” (p. 35). The research concludes that small firms can use their resources to mitigate transaction costs, and “are simply lagging behind those of larger firms” (p. 51), which aptly describes the GITO providers in this early stage of CSER maturity.

Some early stage firms have taken actions but not yet adopted global standards. Provider ACS is “replacing the roofs of its data centre with Green Roofs which consist of vegetation planted over a waterproofing membrane.” These roofs have been demonstrated to lower the building temperature by up to 12 degrees Fahrenheit. However, despite this admirable CSER example project, ACS does not participate in the GRI and the CDP, has not signed the UN Global Compact and has not committed to implementing an ISO 14001 certified Environmental Management System.

Communications with stakeholders are reactive and unplanned. For instance, these GITO providers do not provide a regular CSER report to the public. Early stage CSER providers make sweeping statements without support, such as Mastek’s claims that it “takes care to avoid any kind of environmental pollution through its actions”.

The implication is that early stage CSER providers will be challenged by buyers and other stakeholders such as governments and NGOs to improve their CSER profile, in order to compete with others who are better equipped.

### ***5.2.5 Transition from Early Stage, to Aspirant, to Mature CSER***

Over the four years of research we have seen an increasing interest, from buyers, providers and advisors, in the topic of CSER in outsourcing. It is difficult to imagine that some GITO providers have not yet embraced CSER as an organisational programme and market requirement. We fully expect that early stage and aspiring GITO providers will begin to report using the GRI format, moving beyond corporate CSER brochures, and will entertain preliminary CDP evaluations. In addition, now that ISO 26000 is finalised, many aspiring firms will embrace that standard as a formalisation of their early CSER actions. Perhaps in time the ISO 26000 standard will become as important to the industry as Capability Maturity Model (CMM) and standards on quality such as ISO 9000 and security such as BS5750. This standard will require early stage and aspiring providers

to establish a formal CSER programme and protocol within the organisation, moving beyond a marketing and communication approach. The challenges for aspirants will be to understand when buyer CSER requirements, as communicated in RFPs, industry guides and government regulations, exceed the cost of adopting further CSER commitments. Corporate size and profitability will be limitations for providers who aspire to greater CSER. Aspirants who desire to work with top firms (e.g. Fortune 500 or FT 100) will need a high level of CSER accreditation (e.g. GRI, CDP) to meet the expectations of their target buyers. For example, outsourcing proposals to buyers such as Enbridge or Rio Tinto (see Chapter 4) or to CFS (see Chapter 6) should reflect the buyer organisation CSER norms which are documented on their websites, in order to match the 'cultural fit' expectation mentioned by several of these buyers.

Section 5.2 has provided an overview of CSER in the outsourcing industry by examining a set of leading GITO providers. The next section focuses on two mature providers, Accenture and Infosys with an in-depth comparison to give more CSER clarity and detail. The analysis that follows in Section 5.4 is designed to develop a model of CSER activity that draws from the industry overview and from the two examples, and extends existing CSER theory to be applied in subsequent empirical work at CFS in Chapter 6.

### **5.3 CSER at Outsource Providers Accenture and Infosys**

In this section we examine CSER at two mature GITO providers, Accenture and Infosys, through a series of interviews conducted in January 2010 in India. The purpose of these interviews was to augment the data collected in the content analysis described in Section 5.2 above. The rationale for this mixed methods approach is described earlier in Section 3.4.1.

Three themes became clear in our interviews. First, as with all large organisations these outsource providers enhance and protect their brand by making philanthropic contributions to worthy causes, as suggested by Carroll's Pyramid of CSR (Carroll, 1991) and demonstrated by several researchers (Falck and Hebllich, 2007; Lai, Chiu et al., 2010). Second, they address specific strategic issues using a CSR framework suggested by Porter and Kramer (2002; 2006; 2011). Third, at Accenture we learned of collaborative CSER projects that strengthen the relationship between the outsource buyer and provider, which provided us with a concept that we examined further at CFS and describe in Chapter 6.

In the following sections we describe first the Accenture CSER profile and then that of Infosys. We describe their philanthropic CSER, their strategic CSER and then their collaborative CSER. This will establish a foundation for applying and then extending existing CSER theory.

### **5.3.1 CSER at Accenture**

Accenture is a global IT service firm, which provides IT outsourcing services. For 2010 Accenture reported revenues of \$21.6B USD. According to its annual financial report, approximately 43% of Accenture revenues are from outsourcing services (Accenture, 2010). Accenture employs 204,000 people around the world and is a signatory to the United Nations Global Compact. The Accenture 2010 annual report announced a new corporate citizenship programme called Skills to Succeed, which plans to equip 250,000 people around the world with the skills to get a job or build a business, by 2015.

We conducted preliminary interviews with Accenture executives in North America and then visited Accenture's offices in Bangalore, India to learn more about CSER in global IT outsourcing. Table 3.10 provides a list of the Accenture persons interviewed. Below we summarise the key concepts discussed with Accenture representatives.

#### **Accenture's Philanthropic CSER**

Accenture recognises the importance of CSER for its clients and communities and has taken steps to enhance CSER within the organisation. In India, the Accenture CSER emphasis is on society, with less emphasis on environmental issues.

Harsh Manglik, Managing Director for Accenture India, provided a high-level perspective of CSER for both Accenture and the Indian outsourcing industry. When we interviewed Mr. Manglik in 2010 he was the chairman of Accenture India and vice chair of NASSCOM, the Indian outsourcing industry association. In 2011 Mr. Manglik became the chair of NASSCOM. He spoke to us about how client expectations are driving the importance of CSER and its relevance in the IT outsourcing industry, which has contributed considerable wealth to the Indian economy.

CSER in outsourcing is a new concept in India, and is growing, as we heard during the interviews described in Section 4.2 and suggested by several reports (Franklin, 2008). *"Only half of the industry understands engagement with society. We [Accenture] understand engagement with the community and we place importance on it ... As an industry body, NASSCOM, this is a priority and in fact it's one of the major priorities that is receiving a lot of discussion internally right now."* This

implies that CSER will become more common within the Indian outsourcing community and we will see increasing CSER maturity in outsource providers.

Outsource providers are responding to buyer expectations as we heard in earlier interviews in North America, for example at Rio Tinto. Harsh stated: *Are people doing it (CSER) only because they have to and they would much rather not, or are they being dragged into it because it's a condition for being allowed to play the game? So long as clients are demanding it (CSER) any business will follow it.* The implication is that providers will respond to buyer expectations, for or against CSER. If buyers do not see CSER as important, then providers would likely not bother with it.

CSER in India is focused on society and employment. In 2008, NASSCOM prepared a report regarding the impact of IT outsourcing on the Indian economy (NASSCOM, 2008), which highlights the direct and indirect economic benefits of the IT industry, as well as the contributions to workforce development and contributions to the community and the environment. According to the report, the major social contribution of the industry has been to create a motivated and educated managerial class. Harsh confirmed this analysis:

*In the last 10 years 45% of the net new jobs in the cities [in India] have come directly or indirectly from the IT industry. The contribution of this industry will be interventions that create enablement, and they don't necessarily have to come and work in the IT industry; but the IT industry with its initiative, forward-looking view, leveraging technology, using its know-how in how to accelerate learning and in a scalable way I think and play a very powerful role.*

In addition, the industry has taken steps to provide social contributions to individuals and communities in need of assistance. Helping India's impoverished people, at this time, is more important than addressing environmental issues, both for Accenture and for the GITO industry in India. Harsh stated:

*We target young teenage women from very orthodox and poor backgrounds, working with an NGO and through the NASSCOM foundation we focus on teaching them computer arts and animation skills... Under the NASSCOM foundation we are intending to develop programmes that leverage ICT to accelerate skilling as opposed to mainstream education, the focus here is more on the vocational aspect of skills which in India is a huge and unmet need.*

*Environmental issues are emergent. Right now the people issues are more represented. Addressing environmental issues will be aided by addressing the people first.*

The Accenture leader for corporate citizenship in India, Kshitija Krishnaswamy, further amplified Accenture's CSER focus on developing skills in the community.

*We have a responsibility to the communities that we operate out of; our people have responsibilities towards that individually and as an organisation collectively. We would like to make a social difference, to make some sort of social impact. We have a mandate which is Building Skills to Succeed. As an organisation we would like to ensure that young people can contribute to the economy. We look at vocational skilling; India's need is in the area of livelihood generation.*

The implication here is that CSER is an important trend for the Indian outsourcing industry, but the emphasis on social issues such as employable skills is more important than the environmental issues identified in North American interviews (see *Environmental topics are growing as important CSER issues* in Section 4.2). This will become important in the CFS case study where we discuss alignment of values, also described as cultural fit in the Rio Tinto case in Section 4.4.2, where we posit that CSER priorities provide evidence of aligned values between the buyer and provider. From the perspective of Accenture, CSER priorities will involve contributing to employable skills in society.

### ***Accenture's Strategic CSER***

Accenture uses CSER activities strategically to build a potential future pool of employees. Kshitija stated that Accenture is focused on developing skills for its outsourcing business so that it has a pool of talent for future employment. "We've actually identified industries that have the highest potential for employment; we are in the service industry so we have started with IT/BPO skills." Accenture benefits with potential future employees, the young trainees benefit from a set of market-relevant skills, and Accenture employees benefit from a sense of well-being as a result of the contributions they make to their community. Porter and Kramer referred to this as shared value (2011).

### **Accenture's Collaborative CSER**

Strategic use of CSER can build a stronger relationship between the buyer and provider. We will explore this concept, called collaborative CSER, further in the Chapter 6 CFS case study.

As a specific example, Kshitija offered :

*[Royal Sun Alliance] told us they would like to have me talk to their CSR person to see what we can do together. We said "you are sitting in the UK but you have charity days that you indulge in. You have a team here [in India] with 2,000 people who work on your account. So while they are Accenture employees, eventually they need to start believing that they are closely matched with what the clients do, and this is a good opportunity to do it." The day they had charity day in London, we structured charity day for those 2,000 employees here, and the client paid for it. They were so happy with the whole programme because it helped them get closer to these people who have been on their account ever since we got the business. And it's something they're having annually now.*

This example demonstrates collaboration on CSER projects between outsource provider Accenture and buyer Royal Sun Alliance. Porter and Kramer (2011) refer to the benefit as shared value because the buyer, provider and society all share in the value from the collaboration. The buyer gets closer to the people on the account; a charity receives a larger monetary contribution from the buyer that has been augmented with donations from the provider; the provider gets a deeper relationship with the buyer. In Chapter 6 we explore this 'deeper' relationship in terms of the higher stages of trust created, as described by Lewicki and Bunker (1996).

### **Summary of Accenture CSER**

Our preliminary discussions regarding CSER in outsourcing, which were conducted in 2008 with Accenture's Canadian outsourcing director Tony Gaffney, indicated that this topic was not yet an important issue. CSER at Accenture in 2011 is substantially greater than described in our initial 2008 interviews. As we continued to meet with senior executives from Accenture in 2009 and 2010, the increasing importance of CSER became evident. For example, working with the World Business Council for Sustainable Development in 2009, Accenture published an assessment of the impact of CSER on corporate strategies (Lowitt, Hoffman et al., 2009). In 2010 Accenture worked with the United Nations to publish a report on the New Era of Sustainability (Accenture, 2010). Accenture now recognises CSER as a topic that has grown well beyond Accenture's basic economic

value of Green IT initially described in 2007 (Nunn). The implication of this is clear: as a leading GITO provider Accenture has recognised the importance of CSER for clients, employees, society and the environment and has taken steps to increase its CSER credentials. From the interviews we found that Accenture uses CSER in its markets to address social issues such as employable skills and collaboratively to strengthen outsourcing relationships with its clients. These perspectives provide direction on the concept of collaborative CSER which we develop in Section 6.4.

In the next section we will examine an Indian outsource provider, Infosys, which has taken similar steps to Accenture on CSER.

### **5.3.2 CSER at Infosys**

As a GITO provider, Infosys is another mature CSER leader at the same level as Accenture. This case describes the emphasis that Infosys puts on environmental responsibility and how CSER at Infosys differs from Accenture. The most important point is the lack of collaborative CSER at Infosys. Although Infosys is a CSER leader, our research could not find evidence of working on joint CSER projects with clients, as we saw above at Accenture and as we will describe at CFS in Chapter 6.

Infosys is one of the larger India-based global IT outsource providers, with 114,000 employees providing service to 575 clients in 72 cities across 30 different countries (Infosys, 2010). In 2010 the outsource provider reported annual revenues of US\$1.3 billion.

We evaluated Infosys as a mature CSER leader in Table 5.1. Infosys is a signatory to the UN Global Compact and prepares an annual Sustainability Report which is formatted according to the GRI framework and is audited by an independent assurance organisation (Infosys, 2009; 2010). The report summarises all CSER activities for the year and reflects the organisation's commitment to move towards a sustainable world. According to the Sustainability Report, "our focus on social and environmental issues is fundamental to our existence in the long term. We intend to take a more holistic view of our sustainability by setting up a framework and governance structure.... We will strive to become ... a carbon neutral, water sustainable and socially meaningful business" (Infosys, 2009).

Infosys adopted a CSER policy in July 2010. The Infosys Sustainability Policy begins with the foundational premise that the business must be profitable to be sustainable, stating that Infosys will follow a "model of profitability, sustainability, predictability and de-risking our business while

ensuring a green planet” (Infosys, 2010, p. 7). This aligns with Carroll’s base requirement of his CSR Pyramid, where “all other business responsibilities are predicated upon the economic responsibility of the firm, because without it the others become moot considerations” (Carroll, 1991, p. 41). Moreover, Infosys acknowledges that it must work with clients to make their businesses profitable and sustainable, stating “We want to enhance business value leverage to our clients from transactions with us, while ensuring sustainability for them by helping them achieve their sustainability goals” (Infosys, 2010, p. 7). The voluntary CSER component of the Infosys Sustainability Policy contains three parts. First, Infosys will be resource-efficient with short-term goals of reducing per capita consumption of electricity, water and carbon emissions, and a long-term goal of becoming water sustainable and carbon neutral. Second, Infosys will embrace green innovation by investing in green building and data centres to effectively utilise natural resources, and to encourage vendors to become more focused on their green initiatives. Third, Infosys acknowledges the social contract it has with customers, employees, investors, communities, and the global population, and actively engages these stakeholders.

Infosys began producing its annual Sustainability Report in 2008, and believes it was the first Indian outsource provider to do so. In our interviews with the Infosys CSER leader we discussed the importance of CSER in winning client business. He commented that *“today it is in the RFP, they ask how conscious you are about sustainability, what are your policies ... It's part of the RFP process but I don't know if it's really the deciding criterion yet... I think it will become a very big criterion at some point”*. This is consistent with survey data depicted in Figure 4.1 as well as buyer interview comments discussed in Chapter 4 that providers will respond to buyer CSER expectations.

### ***Infosys’ Philanthropic CSER***

Infosys displays a strong set of philanthropic CSER credentials, but has taken limited steps to create strategic CSER.

Infosys’ philanthropic CSER covers five topics: health care, education, art and culture, rural uplift and rehabilitation, and targeted inclusive growth (HEART). These CSER topics are supported by financial contributions from the Infosys Foundation and the Infosys Science Foundation. Each year the Infosys Corporation makes voluntary financial contributions to these two Foundations, which then direct the funds to specific projects in the Indian community. For example, the Infosys Foundation has provided books to over 3,000 schools in India, and has provided scholarships to 4,500 poor students.

Infosys has addressed many obvious philanthropic CSER topics, but has not demonstrated some progress in strategic CSER which we discuss next, and nothing in terms of collaborative CSER. Although Infosys is a mature CSER leader, it may not be able to create shared value as described by Porter and Kramer, nor engage its clients and strengthen its outsourcing relationships using CSER. Infosys' CSER credentials allow the organisation to 'check the box' on RFPs as CSER compliant.

### ***Infosys' Strategic CSER***

In contrast to Accenture, Infosys CSER emphasises environmental responsibility, which has been identified as one of the CEO top seven priorities.

We met with a team of Infosys specialists working on environmental issues. We discussed three important topics: power consumption in Infosys data centres and office facilities; individual carbon footprint; and water consumption. All of these topics are important to Infosys and are equally important for Infosys customers.

### **Power Consumption**

Infosys is developing innovative techniques to reduce power consumption, thus reducing its overall carbon footprint. Rohan Parikh, Head of Infosys' Green Initiatives told us: *"In a data centre, the biggest issue is how much energy is being consumed. At an average data centre for every one unit of electricity consumed by computers and servers, there is one unit of electricity consumed for miscellaneous such as air-conditioning, lighting and other purposes."* To improve the power utilization efficiency (PUE) of its data centres, Infosys has been conducting *"R and D with sensors in our data centres to build control strategies so that we can do on-demand cooling. Heat flows in the rack can continuously change depending on how much the servers are being stressed. So we have radiant cooling panels behind our server racks and each of these provide on demand cooling to the rack that it requires."* In addition, Infosys has implemented sensor technologies in its office locations that shut lights and other power consumption off when human activity is not detected. Finally, with regard to power consumption Infosys is investing in research *"on the most efficient cooling technology, because buildings consume 40% of all the global energy and therefore are responsible for 40% of all the carbon emissions. Of that 50% is air-conditioning. So if you look at 20% of the whole world's emissions going for air-conditioning, cooling and heating, and you come up with a sturdy cooling technology and share it with the rest of the world, you will make a humongous impact and that's really what we're focusing on"*. Aside from CSER,

Infosys clearly sees management of power consumption as an opportunity to help clients and gain new consulting revenue.

### **Water Conservation**

Infosys continues to expand its employee workforce, hiring about 20,000 new employees each year. At the Mysore campus, which accommodates about 10,000 persons, Infosys is focused on water conservation. According to Rohan Parikh, *“water is something which we are very paranoid about. We feel that it's a bigger problem than climate change; it's a problem that is going to affect most of us very quickly because of unsustainable use. There are no alternatives to water. We are striving to become water neutral. At every campus that we design, it will be designed based on water conservation which means we will survive only on rainwater for all the fresh water needs and on recycled water for all other needs”*.

### **Individual Carbon Footprint**

Infosys tracks the ecological impact of employees through a personal information page on the Infosys intranet. We saw a brief demonstration of the software which tracks and creates an awareness of greenhouse gas (GHG) emissions primarily caused by individual travel and commuting as well as paper consumption. Using this software Infosys is able to track the per capita GHG emissions, by category, and take action to reduce annual consumption. In 2010 Infosys reported year-over-year reductions in GHG for two of the three major emission categories (Infosys, 2010).

The combined investment in power consumption management, water conservation and managing individual carbon impact characterises Infosys as a CSER GITO leader. However, we found no evidence that Infosys has begun to use CSER in collaboration with clients, as we discuss in the next section.

### ***Infosys' Collaborative CSER***

In our discussions with Infosys representatives both in India and in Manchester, we were not able to find any examples of collaboration with outsourcing buyers on CSER. As will be discussed in Chapter 6, Infosys is an important provider at Co-operative Financial Services. At the time of our case study interviews in 2010 Infosys was implementing a strategic information system to transform CFS' banking capability. Despite repeated requests, Infosys was able to provide only limited information about CSER in the CFS relationship, referring to the importance of CSER as a

marketing credential. We conclude that Infosys, although committed to CSER in general and environmental issues in particular, has not yet embraced opportunities to collaborate with buyers on CSER projects.

### ***Summary of Infosys CSER***

In summary, Infosys is a mature CSER leader. However compared to other outsource providers such as Accenture and Steria which we describe in Chapter 6, we found no evidence of collaborative CSER between Infosys and its buyers during our research.

### ***5.3.3 Comparison of Accenture and Infosys CSER***

Both Accenture and Infosys are leading GITO firms and mature CSER leaders, but they embrace CSER in different ways and will achieve different benefits. Both firms are signatories to the UN Global Compact and both firms have worked with the World Business Council for Sustainable Development to develop a vision of CSER for the next 40 years (WBCSD, 2010). Infosys has focused on CSER needs in India and has focused on the environment in particular. Accenture's CSER is more socially focused. Infosys publishes an annual Sustainability Report, using GRI protocol, as evidence of its social and environmental responsibility. Accenture publishes customer- and market-oriented 'thought leadership' reports which are intended to inform clients and sell Accenture services. Accenture has not yet published an organisation-wide GRI CSER report. Accenture has begun to embrace collaborative CSER while Infosys has not yet shown evidence of this approach.

On balance, we posit that Accenture will gain more than Infosys from its CSER programs through collaboration with clients on CSER and because it appears to have a more balanced CSER approach, embracing both social and environmental issues. This comparison also points out that the levels of CSER in GITO build first on the Carroll concepts of a CSER hierarchy, and then the Porter and Kramer concepts of responsive and strategic CSER, and we posit a higher level of collaborative CSER which we explore in the next section.

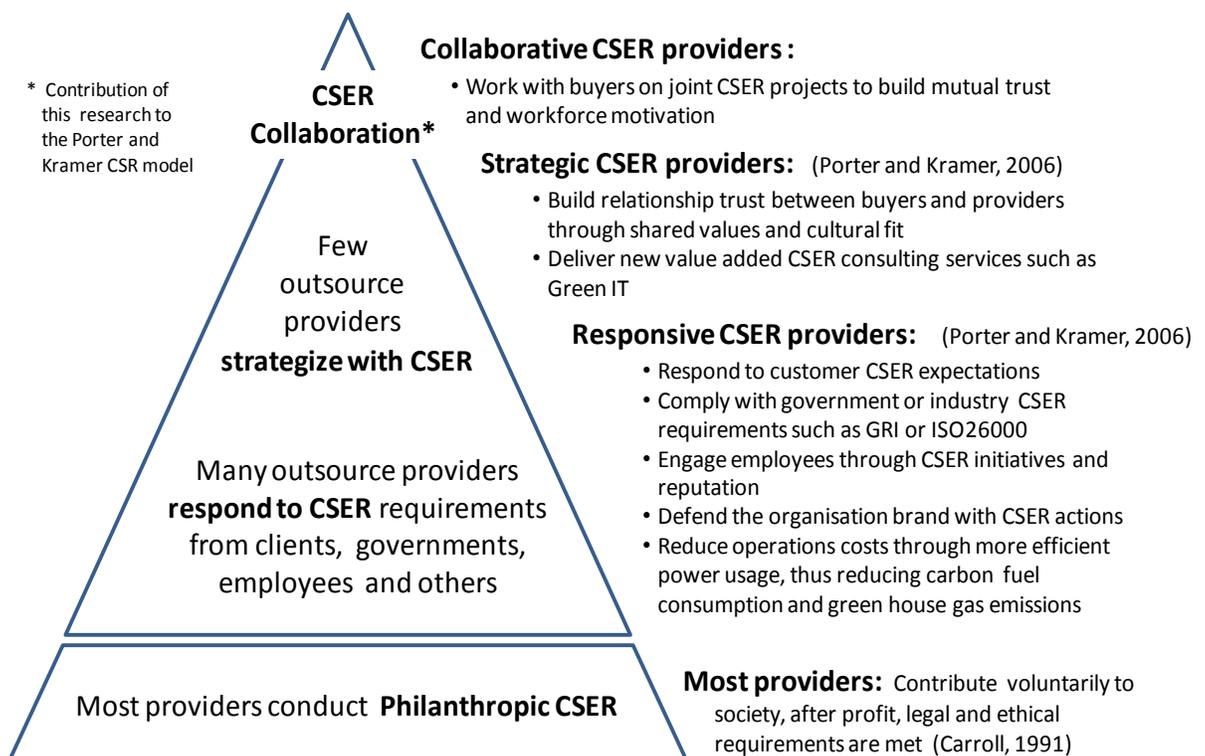
## **5.4 Applying CSER Theory to Global IT Outsourcing**

The findings point to multiple roles and rationales for CSER which can be divided into categories of Responsive and Strategic, as suggested in the Porter and Kramer model (2006) described in Chapter 2. The Responsive category has two elements: i) acting as a good corporate citizen, attuned to the evolving social expectations and needs of stakeholders; and ii) mitigating existing or adverse effects from business activities. The Strategic perspective involves initiatives where social

and business benefits are distinctive and provide long-term competitive advantage, and create shared value for society. Porter and Kramer build on Carroll’s CSER hierarchy, which posits that voluntary philanthropy should only be conducted after requirements have been met for profitability, legal compliance and ethical behaviour.

We posit that collaborative CSER is a higher level of strategic CSER, where outsource buyers and providers work together on joint CSER projects. This goes beyond Porter and Kramer’s classification and we add this concept because collaborative CSER provides long term benefits and is not easily copied by competitors. Figure 5.2 below depicts a model of CSER hierarchy for GITO. This model was not a priori, but developed continuously and iteratively throughout the research, leading to the current theorisation. In Chapter 6 this hierarchy will be developed further, based on the CFS case study, and will be directly tied to the Porter and Kramer Strategic CSR framework described in Section 2.8.2.

**Figure 5.2: Hierarchy of CSER Actions by Outsource Providers**



In the sections below we describe examples for each level of the CSER hierarchy depicted above in Figure 5.2., beginning with collaborative CSER. The examples will be drawn from the pilot case studies described in Chapter 4, at Enbridge and Rio Tinto, and from review of providers Accenture and Infosys described earlier in Chapter 5.

#### **5.4.1 Collaborative CSER in Global IT Outsourcing**

Collaborative CSER provides the highest level of shared value for outsourcing buyers and providers yet very few are participating in this CSER level. Accenture provides one example of collaborative CSER, with an intention to gain benefit from the CSER activity. Citizenship leader Kshitija commented that Accenture was contemplating how to repeat the activity shared charity day conducted with Royal Sun Alliance: *“We’ve done this [CSER] activity just for ourselves; we started thinking about how to get clients involved.” “We start informally; our senior executives have started telling them about it... We are trying to structure value propositions that we take to clients saying “this makes sense”... to deepen our own client relationship or start a new one.”* Accenture anticipates that working with buyers on CSER projects will strengthen the relationship with buyers.

We will test and further refine this concept in Chapter 6 with the CFS – Steria case study which shows how collaborative CSER has multiple benefits, including improved trust and increased communication in the outsourcing relationship as well as shared value with society, but requires a higher level of maturity in the outsourcing relationship. Thus we posit that although there are many benefits, few buyers and providers are able to embrace collaborative CSER.

#### **5.4.2 Strategic CSER in Global IT Outsourcing**

Strategic CSER “is about choosing a unique position—doing things differently from competitors in a way that lowers costs or better serves a particular set of customer needs” (Porter and Kramer, 2006, p. 88). Strategic CSER “unlocks shared value by investing in social aspects of context that strengthen company competitiveness”.

In our research we identified two strategic practices by which CSER strengthens outsourcing competitiveness. First, CSER enhances the outsourcing relationship by building trust between buyer and provider. Second, new and growing revenue opportunities are available to providers who deliver CSER leadership and services to buyers. These points are elaborated further below with examples of strategic CSER from the cases.

**1. CSER activities enhance trust in the outsourcing relationship.** CSER provides a reinforcement of trust in a business relationship, which has been examined by several researchers (Lewicki and Bunker, 1996; Sabherwal, 1999; Heiskanen, Newman et al., 2008). The alignment of social and environmental commitments between outsourcing buyer and provider creates a foundation of mutual trust that enhances the outsourcing relationship, which is an important aspect of the outsourcing arrangement (Kern and Willcocks, 2000; Feeny, Lacity et al., 2005). This trust extends

well beyond the contractual commitments and RFP evaluations. Referring to a recent outsourcing RFP, a buyer at Rio Tinto in Montreal told us that “*cultural fit, i.e. the values that we share, is becoming very important, especially when price difference [between providers] is marginal*”. The need for trust and strong relationships is magnified in global outsourcing when differences in time zones, legal system, language and culture make the establishment of a trusting professional relationship very difficult. The development of CSER measures does not preclude the parties from building trust in other ways, such as reliable delivery of services, shared risk and reward, clear communication channels, etc., but it does provide a convenient and tangible mechanism for bringing the two parties closer together, through shared values.

North American outsourcing buyer Enbridge described their relationship with Accenture with operations in south-east Asia. When the 2004 tsunami hit that region, the Enbridge office staff in Toronto responded with a fund raising initiative to help their colleagues in the provider firm. Although the offices are on opposite sides of the world, the “faceless” relationship had become tangible, and the effort to help strengthened the relationship and trust between the individuals in the two organisations.

**2. Providers will deliver new CSER value-added services.** Leading outsource providers are building a growing line of business in providing CSER consulting services to outsource buyers. The new offerings may come from providers who have developed expertise from their internal CSER projects or may be delivered by newly acquired CSER experts.

Two large outsource providers Infosys and Accenture told us how they offer CSER consulting services to buyers. One outsourcing executive at Accenture told us of their sustainability consulting practice that had grown to employ 1,000 people in less than two years. Infosys has demonstrated an ability to reduce power consumption in IT operations, thereby reducing GHG emissions and lowering operating costs.

In summary, Strategic CSER is an opportunity for outsource providers to gain competitive advantage in two ways, by increasing trust with their buyers and by delivering new CSER consulting services.

### ***5.4.3 Responsive CSER in Global IT Outsourcing***

Many CSER actions in outsourcing appear to be reactive such as responding to a client CSER requirement in an RFP or complying with a government regulation such as the UK Carbon

Reduction Commitment. Porter and Kramer classify these actions as Responsive, where outsourcing providers act as good corporate citizens. Below we describe how providers react to the evolving social and environmental concerns of buyers, government regulators, employees and others.

**1. Outsource providers must exceed buyer CSER expectations** We initially expected that buyer requirements would drive outsourcing provider CSER capabilities. This was confirmed with evidence from buyers such as an RFP requirement for a global mining organisation, Rio Tinto, with a stated importance of cultural fit and shared CSER values when evaluating an outsourcing provider. Buyers expect outsourcing providers to bring a CSER capability that will not diminish the buyer's reputation. As one buyer at Enbridge explained, *"Our own environmental responsibility builds our brand and trust. This reputation brings and retains our customers". "When we look at the outsourcer's [CSER profile] we must balance cost [benefits] with the impact to our brand"*. In other words, the buyer seeks lower operating costs through outsourcing, but not if outsourcing reduces their CSER reputation.

**2. Outsource providers comply with CSER regulations** Domestic policy makers and world leaders are concerned about the emission of GHGs that contribute to global warming. The production of electricity often requires the burning of fossil fuels, such as natural gas or coal, which produces GHGs. In the last decade, the general public has become aware and very concerned about global warming and the resultant climate changes. Governments in many countries are now adopting laws and regulations to curb or diminish the consumption of electrical power and the burning of fossil fuels. For example, in 2009 the UK government implemented the Carbon Reduction Commitment requiring an estimated 5,000 UK organisations to reduce electrical power consumption through a set of incentives and penalties. The Australian Government introduced a carbon tax in 2011. In 2008 the European Union published a code of Conduct for Data Centres Efficiency, which establishes best practices to "ensure the carbon emissions and other impacts ... associated with increases in energy consumption are mitigated" (2008, p. 3). These laws and regulations have an impact on outsource providers, especially those who specialise in outsourcing of data centres, which are high electrical power consumers. As a Toronto based EDS executive told us regarding British Columbia, data centres are now required to comply with government GHG reduction goals of 30% by 2020, which will be difficult to achieve with outsourced data centres that were built "when power was cheap". As a result, as we saw at Infosys, GITO providers will develop innovative solutions to data centre power consumption to meet these regulations.

**3. Outsource providers must respond to employee CSER expectations and needs** A recent Sustainability Initiative survey from MIT researchers demonstrates that CSER has an impact on employee recruitment and retention. The survey found that “of private companies 57% say they expect employee interest in sustainability to impact their organisations” and “37% [had] already highlighted sustainability initiatives in recruiting” (Brokaw, 2009). At CFS the CIO told us of the importance of CSER in attracting and hiring graduates to work in IT. In the preliminary interviews described in Section 4.2 we heard of how CSER is “about retaining employees and nurturing new ones”. At Rio Tinto in Montreal, the director of sustainable development described the importance of employee and family health. In areas where malaria is prevalent, worker absenteeism can be problematic when workers care for their sick family member or are themselves ill. Rio Tinto invests in measures to prevent malaria, which are a reasonable CSER action to improve worker attendance.

At Accenture India, the head of corporate citizenship commented on employee motivation from CSER when discussing how Accenture people participate in the community education projects: *“Our people then volunteer to take guest lectures. Our people mentor the students. We get probably better impact because our people are engaged with the agenda of an organisation. They feel they are part of something bigger than their own jobs.”* These comments agree with later findings from the CFS case study described in Chapter 6 (see 6.3.2.2 discussion regarding motivated employees).

Employees CSER expectations are important and we have provided evidence that GITO providers will use CSER to motivate employees.

**4. Providers will use CSER to defend the corporate brand** CSER initiatives can be seen as brand insurance by outsource buyers and providers (Werther and Chandler, 2005). In an example which will be discussed in more detail in Chapter 6, Co-operative Financial Services has gone so far as to seek outsourcers with strong CSER reputations to re-enforce the value of its own corporate brand. The buyer sees CSER as the “missing link” in global outsourcing and the opportunity for “leveraging [CSER] towards brand equity” for both the buyer and the provider, as described by the head of IT Outsourcing at CFS. This UK firm has turned away loan applications from potential clients and dismissed outsourcing providers who did not measure up to the firm’s own CSER levels.

As another example, Enbridge described how CSER and its impact on corporate brand would soon be included as a metric in their corporate and personal balanced scorecard. Not surprisingly,

outsource provider Tata Consulting Services is committed to “co-embrace environmental issues” with Enbridge. The provider will develop CSER initiatives with the client that “can be measured in a meaningful way” so that they can be included in a balanced score card. TCS is using environmental aspects of CSER to build its brand with the Enbridge buyers.

**5. Outsource providers will reduce costs with Green Outsourcing** Environmental responsibility in outsourcing, which is driven by increasing power costs, the threat of negative publicity and regulation on reduced carbon emissions, suggests that Green Outsourcing will be a growing requirement. Most outsource providers are major consumers of electrical power. Several commentators predict a long-term trend of rising energy demand and costs (Lewis, 2007). As well, power consumption by IT doubled from 2000 to 2005 according to the US Environmental Protection Agency (EPA, 2007) and continues to grow, albeit at a slower rate (Koomey, 2011). Rising costs of electrical power and increased power demand in IT creates a concern regarding the rising costs in outsourced IT operations. The 2009 Green Outsourcing Survey reported that 85% of the senior executives surveyed said that “the adoption of green technology is more likely the result of escalating energy costs than ecological altruism” (Brown-Wilson, 2009, p. 3).

Reacting to this trend, Infosys has established reduction of power consumption in the data centre as an important CSER goal. In our visit to the Mysore campus we learned how the Infosys CSER team is developing innovative approaches to provide low cost on-demand cooling and lighting for the data centre. Lower power costs are important in addition to the lower carbon emissions. Both issues are a priority for Infosys, because, as described by the Head of Green Initiatives at Infosys, buyers are “*embedding CSER into the business processes*” and expect their providers to help them reduce their carbon footprint and power costs.

Outsourcing provides a path for buyers to reduce escalating technology costs and the associated GHG emissions from increased power consumption. Saving money through “Green” outsourcing is a strong reactive CSER motivation for many buyers.

#### ***5.4.4 Philanthropic CSER in Global IT Outsourcing***

The Infosys Foundation and the Infosys Science Foundation provide examples of philanthropic CSER in GITO. The Infosys Corporation makes annual voluntary financial contributions to these two Foundations, which administer the funds separate from the Infosys GITO operations. The contributions can only be made if Infosys operations are profitable. Similarly, Accenture makes voluntary contributions of resources, often paid effort by its consultants, to charitable causes,

such as the contribution to improve employable skills in India. One charitable recipient of Accenture philanthropy is Nethope, which is a global shared service that supports humanitarian and disaster relief activities through delivery of ICT services (Nethope, 2011). Accenture is the primary GITO supporter to Nethope, contributing consulting effort and funds.

These examples are premised on Carroll's CSR Pyramid (1991), which requires profitability, legal and ethical compliance prior to making voluntary charitable contributions. Philanthropy is not reactive to stakeholder requirements, but rather is seen as good corporate citizenship. From our content review of leading GITO providers in Table 5.1 we have seen that most GITO providers participate in some form of philanthropy. Table 5.3 below summarises the collaborative, strategic, responsive and philanthropic CSER examples in GITO.

**Table 5.3 Examples of CSER in GITO**

<b>Hierarchy of CSER in GITO</b>	<b>Example</b>	<b>Outsource buyer / provider</b>
Collaborative	Collaborate with clients on shared charity day	<i>RSA / Accenture</i>
	Collaborate on CSER education projects (Chapter 6)	<i>CFS / Steria</i>
Strategic	Enhance trust in the outsourcing relationship <ul style="list-style-type: none"> <li>• Cultural fit and shared values</li> <li>• Helping out after tsunami disaster</li> </ul>	<i>Rio Tinto</i> <i>Enbridge/ Accenture</i>
	Providers will deliver new CSER value-added services <ul style="list-style-type: none"> <li>• Sustainability consulting services</li> <li>• Energy efficient data centres</li> </ul>	Accenture Infosys
Responsive	Outsource providers must exceed buyer CSER expectations	<i>Rio Tinto</i>
	Outsource providers comply with CSER regulations	<i>BC Government / EDS</i>
	Must respond to employee CSER expectations and needs	<i>Rio Tinto</i> Accenture
	CSER defends the corporate brand	<i>CFS</i> <i>Enbridge/TCS</i>
	Outsource providers reduce costs with Green Outsourcing	Infosys

Philanthropic	Contributions of time and effort to charitable causes	Infosys Foundation <i>Building Skills to Succeed</i> / Accenture <i>Nethope</i> / Accenture
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## 5.5 Chapter 5 Conclusion

The purpose of this chapter is to develop our understanding of CSER in global IT outsource providers. By examining public CSER information of 19 leading global IT outsource providers we are able to describe three levels of CSER maturity. By examining adoption of global CSER standards, ability to communicate with stakeholders and how CSER capabilities are embedded within an organisation, GITO providers can measure and improve their CSER performance. Similarly, buyers can compare and evaluate the CSER maturity of their providers and encourage aspiring or early stage GITO providers to develop their CSER. We then examined two specific examples of CSER at outsource providers Accenture and Infosys, both mature CSER leaders. We have examined CSER at two GITO providers and we have begun to contribute to theoretical frameworks proposed by Carroll (1991) and Porter and Kramer (2006). The chapter concludes with an application and extension of the Porter and Kramer (2006) theory of Strategic CSR to the global IT outsourcing industry. We have extended the Porter and Kramer model to include both collaboration and environmental responsibility, which we call Collaborative CSER.

The next chapter will further develop the concept of Collaborative CSER in a case study of the relationship between outsource buyer Co-operative Financial Services and outsource provider Steria.

## **Chapter 6. Collaborative CSER in GITO at Co-operative Financial Services**

### **6.1 Introduction**

Previous chapters have described the growing importance of CSER for all organisations. Employees, customers, shareholders, governments, unions and other stakeholders increasingly expect both public and private organisations to behave responsibly towards individuals, to society and to the planet on which we live. At the same time, global outsourcing of IT has become an important and accepted approach by which organisations can reduce costs and remain competitive.

This chapter examines the intersection of CSER and global IT outsourcing through a case study. The case study examines the outsourcing relationship between Co-operative Financial Services (CFS) and outsource provider Steria, using the theoretical lens of strategic CSER (Porter and Kramer, 2006; Porter and Kramer, 2011) and the theories of trust (Lewicki and Bunker, 1996; Lewicki, Tomlinson et al., 2006). The empirical context of CFS and its outsourcing relationships provides strong evidence of contemporary practices to which theoretical frameworks can be added to create a model for others to emulate.

In this case study an extensive set of interviews with executives and senior managers at CFS and with senior representatives from outsource provider Steria, as well as from a second provider, Infosys, demonstrate that collaboration on shared CSER projects strengthens the outsourcing relationship by building trust and improving communications. However, the benefits of collaborative CSER can only be attained in outsourcing relationships that have already established a record of reliable service delivery and where there is a high level of personal interaction. This creates an environment in which the outsource provider has earned the right, if they so choose, to engage in collaborative CSER projects. The buyer and provider organisations can begin to work together once they have confirmed alignment on shared CSER values and priorities.

In addition to building trust and improving communication in the outsourcing relationship, in our research at CFS we also found that a collaborative CSER strategy creates workforce-related benefits. It contributes to reduced attrition, improves staff retention and builds team morale. In the words of Porter and Kramer (2011), it creates shared value for the buyer, the provider and for society. Furthermore, the CFS case shows that CSER has become a standard requirement in most outsourcing contracts.

This chapter is organised as follows. First we describe the relationship explored by the case study; which is the CFS and Steria collaboration to help needy schools in India. Following this the six key themes that were derived from the case interviews are discussed. The final section provides an analysis of the themes and proposes a model, responding to the original research question, for CFS and others to consider when evaluating the role of CSER in the outsourcing relationship.

## **6.2 Case Description: The Steria-CFS Relationship**

CFS is part of The Co-operative Group, the UK's largest consumer co-operative. CFS is the group of businesses that includes The Co-operative Insurance and The Co-operative Bank, incorporating internet bank Smile and Britannia Building Society. CFS revenues for 2010 were £550 million, with 12,000 employees, more than 300 branches and 20 corporate banking centres. Ethical, environmental and community matters take a high priority in the CFS marketing literature and website. CFS has a range of ethical policies, setting out the way it conducts business, which have been developed in consultation with customers.

The Co-operative's social responsibility focus has been strong and consistent since 1844, when it began as the Rochdale Society of Equitable Pioneers whose goal was the "improvement of the social and domestic condition of its members" (Fairbairn, 1994, p. 5). The co-operative movement has always been based on the concept of members who mutually own the organisation and benefit from its products and services. The Co-operative Group's annual report states that

our members are our owners... we run our business for the benefit of our members who share in our profits in proportion to how much they trade with us throughout the year. That means that our members are involved in democratic decision-making. Our members also set our social and campaigning agenda. In fact, because our members wanted it, we've become pioneers in areas such as fair-trade and combating climate change. (The Co-operative Group, 2011, p. 2)

Almost two centuries later, the local social objectives of the Rochdale Pioneers have evolved to become the Co-operative Group's focus on global CSER.

Today, the Co-operative balances profitable operations with a "purpose beyond profit" and with a goal to "show the way forward for corporate sustainable development in the UK" (The Co-operative Group, 2011, p. 2). The Co-op Values and Principles Committees are responsible for establishing social and environmental priorities and for managing the Ethical Operating Plan. The

Ethical Operating Plan (The Co-operative Group, 2011) establishes social and environmental goals for the period 2011 to 2013 in the areas of ethical finance, tackling global poverty, protecting the environment, inspiring young people and keeping communities thriving. Progress is reported annually in the Co-operative Group Sustainability Report (The Co-operative Group, 2009; 2010; 2011). The Co-operative has been recognised for its CSER leadership with an Environmental Leadership Award in 2009 from Business in the Community and a Platinum Plus ranking in 2010 for Corporate Responsibility (The Co-operative Group, 2010, p. 121), and several other awards. "In June 2010 The Co-operative Bank was named Sustainable Bank of the Year by the Financial Times" (The Co-operative Group, 2010, p. 121). One CFS executive commented "*There is a real level of pride around the boardroom table when we won the world's most sustainable bank award.*"

CFS sees CSER as an advantage that distinguishes it from competitors, in an era where there are increasing stakeholder expectations regarding CSER. Another CFS executive told us: "*I genuinely believe our model is inherently more of a sustainable model than a boom and bust shareholder profit-driven model*", and "*I see the need for business to prove it's responsible in doing the right thing*". The Co-op's mutual ownership distinguishes it from other organisations in that it protects the organisation from "*market pressures for increasing profitability – the members are shareholders. Here, you don't have those pressures. They are not so evident but you still need to turn that profit in, even if you are sharing it with your members or you are using it to reinvest to make your business better again*". "*There's a respect, there's a trust. I've seen more here than anywhere else...There's a lot more continuity in the senior roles here than there are all in the big banks*". As such, CFS provides a receptive and representative case study to examine CSER in outsourcing.

CFS recognises that its CSER advantage is now being emulated by others in the market place (note that HSBC was the runner-up for most sustainable bank) and should therefore continue to reinforce its advantage by leveraging its CSER profile. As one CFS executive explained: "*People see us as leading; other organisations are catching up quickly. If this was one of our unique selling points, everybody, they are all on the bandwagon. We need to up our game and up the stakes. We've got to keep pushing the boundaries to maintain that reputation. HSBC is very interested, because they are pushing their agenda as well on CSR. Retailers are all pushing it*" and "*A lot of the big banks are playing catch-up, such as HSBC, Barclays, Royal Sun Alliance; from a procurement perspective they are starting to move to our position*". CFS recognises the need to continually

enhance CSER which is one motivator as it has begun to work with GITO providers on CSER projects.

The outsourcing relationship between Steria and CFS began in the 1990s. At that time, Xansa (originally called FI Group) began to provide IT services to CFS. Steria bought Xansa in 2007. Overall, CFS has approximately 300 suppliers and outsource providers. Suppliers supply products such as hardware and software, while outsource providers provide outsourcing services. Some organisations are both a supplier and a provider, such as IBM which supplies hardware and software, and provides outsourcing services. As an outsource provider, Steria's work is primarily focused on the maintenance and support of legacy software applications at CFS. According to the internal IT Supplier Segmentation Analysis, CFS paid Steria over £32 million in 2009 (Co-operative Financial Services, 2010), as the second largest IT outsource provider after IBM. Steria represents 22% of the CFS outsourcing spend in 2009.

Compared to global IT service companies such as IBM, Accenture and others, Steria is a mid-tier, regional firm. As reported in its 2010 Public Registration Document (Steria, 2011), Steria employs over 18,600 employees across 16 countries and has offices in Europe, India, North Africa and South East Asia. Headquartered in Paris, Steria is listed on the Euronext Paris market, and its revenues in 2010 were €1.7 billion. Steria's main business is consulting and systems integration (51% of revenue) and IT infrastructure management (31% of revenue), with additional revenues from business process outsourcing and third-party applications maintenance. Steria ranks itself as Europe's ninth largest IT service provider with 1.2% of the market share in Western Europe.

Steria speaks proudly of its social responsibility reputation. For example, according to the Steria Corporate Registration Document, Steria's governance model has included employee shareholders since its foundation in 1969 and currently 20% of the capital of Steria is held by employees (Steria, 2011, p. 73). Steria is a member of the UN Global Compact. In 2008 and 2009 Steria was recognised for its CSER activities in India, receiving the Best CSR Practice Award sponsored by the NASSCOM Foundation and the Bombay Stock Exchange. "In 2010 Steria ranked in fifth position in the service sector in the Gaia sustainability index launched in 2009 on the Paris Stock Exchange" (Steria, 2011, p. 72). Steria's focus on Corporate Responsibility has a dual focus on the environment, "proactively participating in the support of a sustainable world for all," and on communities, "bringing greater independence to disadvantaged people" (Steria, 2011, p. 75-77). In its corporate strategy Steria identifies the need to "reconcile development and social responsibility". Steria is "dedicated to the fight against digital divide and exclusion [with] its

support for the most disadvantaged in India, enabling notably the [Steria] Group associating its customers in its actions for responsible development of its business” (Steria, 2011, p. 20).

Regarding disadvantaged people, Steria has focused on education in India for underprivileged children and those in rural communities, with an emphasis on young women. This aligns nicely with two Co-op social responsibility priorities of International Development and Inspiring Young People, reinforcing the cultural fit between Steria and CFS. In line with the Porter and Kramer framework, Steria recognises that “it is also important to go up the value chain, and provide these children with certified training leading to a job” (Steria, 2011, p. 78). The children benefit from the education, society benefits from employable citizens and Steria potentially benefits from future employees; this is Porter and Kramer’s shared value.

The Steria CSER strategy has four categories relating to priorities in environment, marketplace, workplace and community, which includes access to IT and education. In the latter category the One Steria One Country One School (OSOCOS) programme is offered to selected clients as a route to partnering in injecting resources into schools located in the Indian cities of Chennai, Pune or Noida, where Steria centres are located. The programme is structured as a three-year commitment by the clients. Fifteen schools were being supported by Steria and their clients as of May 2010. According to Steria’s corporate presentation to clients, the arrangement enables the client to involve staff, family and friends in the India project and to publicise the project when visiting India and list involvement in marketing material. The client is presented with a “menu” of engagement options and a price list (see Table 6.2 below). Steria encourages subscribing clients to communicate with the children in the school through “mentorship” that may involve email, video conferencing and scheduled visits. When visiting Steria centres, client staff (usually high-ranking executives) are encouraged to visit the school they have sponsored. Steria refers to this arrangement as a “community collaboration procedure” (Steria, 2011, p. 78).

Steria employees provide volunteer training and support for the schools. As an example, at the Medavakkam high school in Chennai, the Steria volunteers provided the following support:

- a training programme, delivered at the Steria offices, to teach computer basics to the teachers, covering Microsoft Word, Excel, Powerpoint and internet usage
- computer helpdesk support at the school with weekly visits to answer queries
- a mentorship programme to grade nine students, with one hour visits each week to help the children to improve their English language skills

- a motivational workshop on career awareness skills and the importance of goal setting

Steria has implemented the OSOCOS programme in conjunction with eight different outsource buyers, CFS being only one (Steria, 2011, p. 78). In addition to buyers, other Steria regions such as Norway and Denmark also support the One Steria, One Country, One School Programme. Steria claims that 47,000 students have been given access to education through the OSOCOS Programme.

The process for identifying school projects is coordinated by a Steria Vice President who is responsible for CSER in India. The projects are identified by Steria members in the community, by heads of schools and by local authorities. Identified projects are assessed by Steria for appropriateness. For example, proposals are reviewed to determine whether the children are in need of additional support, the project is legitimate and the support would be well used. The process does not appear to be formal or quantitative; rather, it relies on the good judgement of the Steria executives in India, working in the communities where Steria operates.

The school projects are then offered to Steria clients and to other Steria office locations for consideration. A client may support a full project or a portion of a project. For example, a client may choose to support only the computer centre at a school, while another client may support the library at the same school.

Of the fifteen schools supported by Steria, two have been sponsored by CFS; the first of these is Medavakkam high school, which has been sponsored since 2007. CFS have supported a computer centre with 10 new computers and a library. The Steria involvement there is ongoing, for instance in July 2007 Steria volunteers provided 12 days of computer training.

The second school sponsored by CFS is the Shri Ghanshyam Sharma Memorial High School in Dujana, Noida. This is a private school that charges fees ranging from Rs 100 – Rs200, depending on the age of the child. It was established in 1999 and has 1035 pupils aged 5-15 years old. Children are from low income group families, farmers, labourers etc. The school has applied for aid from the Government, to cover the teachers' salaries, which will take between one to five years to materialise. CFS sponsorship commenced in May 2010 with budget of £15,714 covering the activities listed in Table 6.1 below. The CFS contribution covers the initial equipment purchase and Steria volunteers provide ongoing support such as software upgrades and technical support.

CFS is not obliged to provide continuing support beyond the initial contribution, although they are encouraged to continue the relationship and to consider new One School projects.

**Table 6.1: The Steria One School Initiative – Medavakkam High School**

Computer centre with 10 computers
Painting, woodwork, furniture, minor civil works for computer centre and library
Library books, language software and educational CDs, internet connectivity
Sports equipment and coaching sessions for 1 year
Environment awareness campaigns – 4 per year
Theatre workshops – including costumes and stage props – 4 per year
Mentorship sessions, sports day, study trips, other workshops and learning sessions

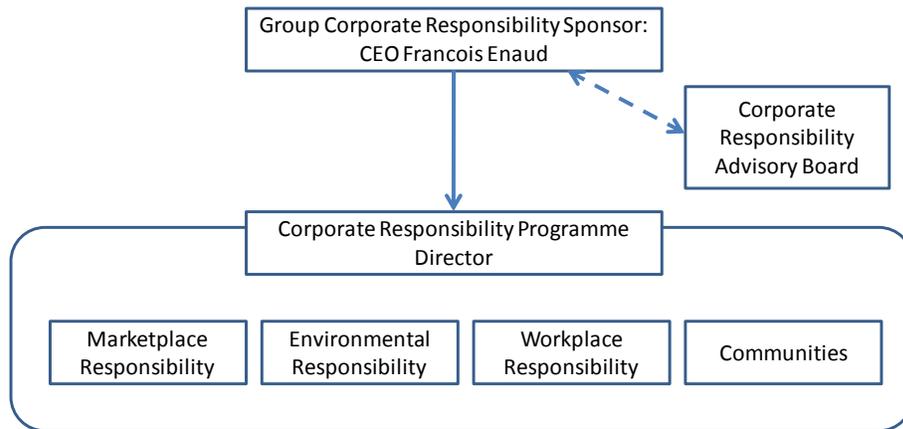
The involvement of CFS is more than simply writing cheques to a good charitable cause. Senior executives from both CFS and Steria participate together in annual visits to the sponsored schools. Students and school staff welcome the CFS executives and provide updates to CFS executives on their success and progress. For example, Steria provides CFS with Board exam results for the classes at sponsored schools. Some Steria clients have allowed their employees to participate in the One School Programme. In 2008 employees from Lloyds TSB in London visited their sponsored school in Pune to participate in community activities. When they returned to London, the group of employees raised additional funds to contribute to the school. CFS employees other than senior executives have not yet visited the school locations in India.

CFS commitment to the OSOCOS programme is actively supported by top CFS executives. Tim Franklin, Chief Operating Officer for CFS is the overall project sponsor and is quoted in the Steria Corporate Responsibility Summary: “Steria’s school programme is leaving an indelible legacy in the communities in which they serve – and CFS is hugely proud to be involved” (Steria, 2010, p. 9). The CIO for CFS, Jim Slack, commented how pleased he was with the warm appreciation from students when he visited the Medavakkan High School and his desire to continue supporting the schools in India. Similarly Steve Briggs, CFS Head of Strategic Partnerships, commented how the

Steria outsourcing relationship has been strengthened after his visit to the Medavakkan High School.

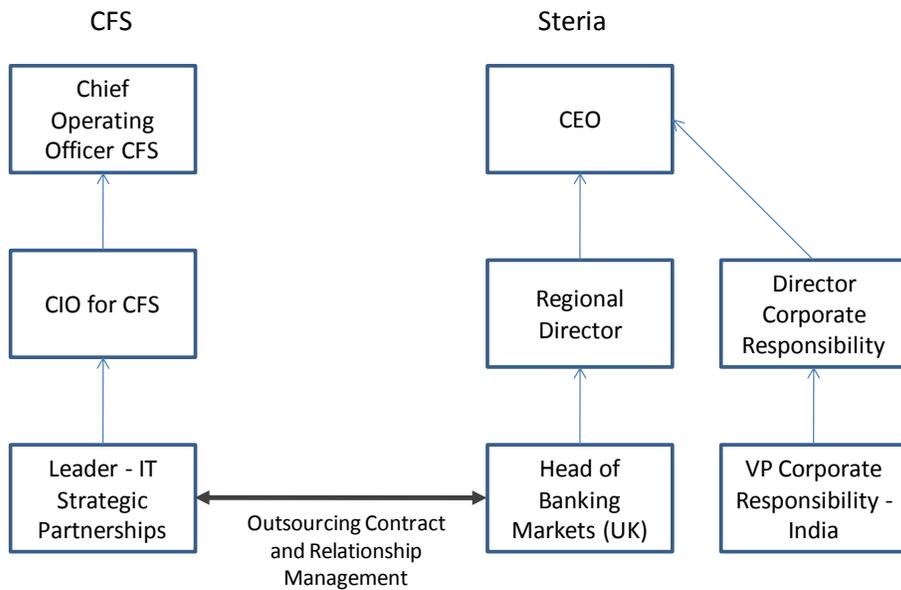
Steria’s CSER governance model is illustrated below in Figure 6.1. Steria’s Corporate Responsibility (CR) structure is led by CEO Francois Enaud; the CEO’s personal leadership of CR matters indicates the importance of CR for Steria. A director is responsible for the overall CR programme which has four components: Marketplace Responsibility, Environmental Responsibility, Workplace Responsibility and Communities. The One School Programme is within the Communities component. Each component has an executive committee sponsor and one or more network leaders located in different global regions. In India, the Communities network leader, who coordinates the OSOCOS programme, is Vice President Gayathri Mohan.

**Figure 6.1: Steria’s Corporate Responsibility Organisation**

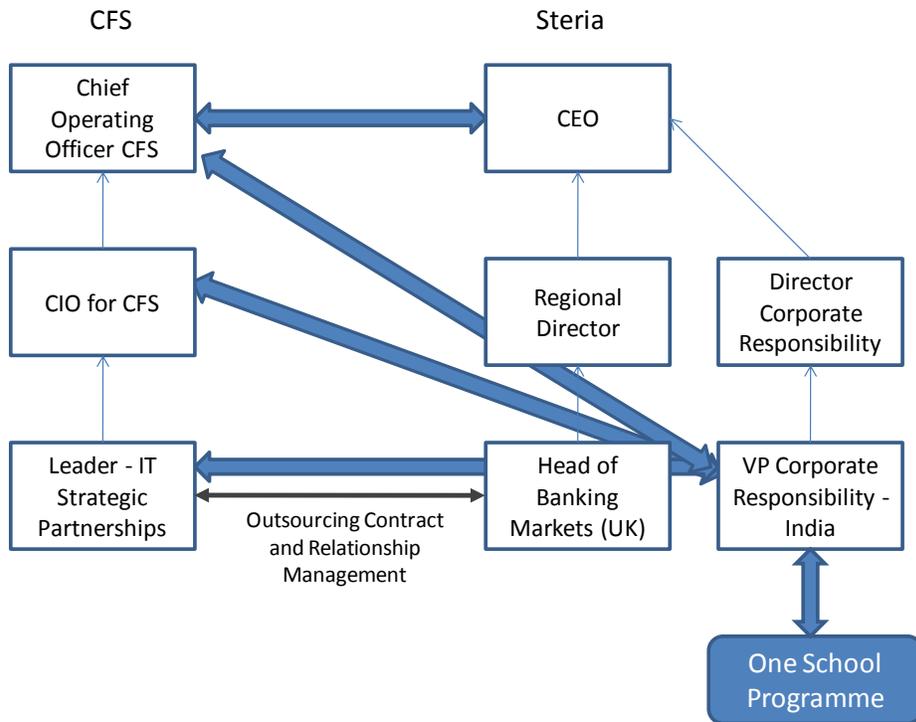


Below in Figures 6.2 and 6.3 the relationships within CFS and Steria and between each firm are depicted. Figure 6.2 shows the internal hierarchical reporting relationships within each firm, and the outsourcing contractual and relationship management linkage. Figure 6.3 provides a view of the relationships between CFS and Steria regarding collaboration on the One School Programme. As can be seen in Figure 6.3, the collaboration provides an opportunity for much greater interaction and cross-linkage between the two firms, beyond the normal outsourcing relationship. As the case description will demonstrate, this increases the opportunity for enhancing the relationship between CFS and Steria beyond the contractual outsourcing foundation and at multiple levels within each organisation.

**Figure 6.2: Internal Reporting Relationships and Outsourcing Relationship**



**Figure 6.3: Inter-firm CSER Relationships**



From the perspective of Porter and Kramer’s strategic CSER model, Steria’s One School Programme provides a strong foundation for shared value between the outsource buyer CFS and

provider Steria. The focus of the CSER activity, aiding underprivileged students, is a priority for both organisations. Steria provides the volunteer effort and organisational capabilities, CFS provides funding and support for the programme. Both parties benefit from joint visits and monitoring of the students' progress. The benefit comes from combined efforts to address a societal problem that both Steria and CFS agree is a priority. By working together and by actively participating in the programme, the buyer and provider build trust which has been described by several researchers as beneficial to the outsource relationship (Sabherwal, 1999; Kern and Willcocks, 2000; Oza, Hall et al., 2006).

In our interviews with Steria and CFS representatives we found that the collaborative CSER projects were strategically identified as a means of building trust by focusing on an issue that was important to both organisations: the education of underprivileged children in India. Porter and Kramer describe strategic CSER as moving "beyond good corporate citizenship and mitigating harmful value chain impacts to mount a small number of initiatives whose social and business benefits are large and distinctive" (Porter and Kramer, 2006, p.88). The Co-operative Group has identified "three clear priorities for community investment" in its 2009 Sustainability Report (The Co-operative Group, 2009, p. 15), which are:

1. Inspiring young people, where the Co-op commits to nurturing and supporting young people,
2. Tackling global poverty, where the Co-op will help support people in the developing world, and
3. Combating climate change.

The Steria One School links to the first two Co-operative priorities. Education for needy children in India is also important for Steria because of the growing need for skilled and dedicated workers in the Indian outsourcing centres. Interestingly, Steria is beginning to invest in solar-powered computer centres at the schools, which is a project that will align with the CFS climate change CSER priority.

The Steria One School programme aligns with the Porter and Kramer model of strategic CSER. When we look at the project from the provider perspective, Steria has created "a unique value proposition: a set of needs that a company can meet for its chosen customers that others cannot. The most strategic [CSER] occurs when a company adds a social dimension to its value proposition making social impact integral to the overall strategy" (Porter and Kramer, 2006, p. 90).

Steria provides a commodity service — outsourcing of software application support — where competition is based heavily on price. The commodity service such as support for standard software (e.g. Microsoft Windows), can be delivered by many outsource providers. The collaborative One Schools Programme provides a “unique value proposition” from Steria to CFS which other outsource providers at CFS have not yet matched. Steria has distinguished itself as an outsource provider at CFS through the One School programme. It is able to align with and support the Co-operative community priorities and in doing so builds strong identification-based trust (Lewicki and Bunker, 1996), which becomes a unique value proposition in the outsourcing relationship. As a basic requirement, Steria must be able to provide good IT outsourcing services at a competitive price, similar to other providers at CFS. By adding a “social dimension to its value proposition” with the One Schools programme, Steria distinguishes its services from the other competitors. The social impact of providing educational support to underprivileged children in India becomes integral to the overall strategy of Steria, and to continuation of its outsourcing relationship with CFS. As we heard in the interviews described below, this social dimension to the outsourcing relationship is consciously designed by Steria and has a positive impact on the relationship, which suggests that the One Schools programme is strategic, as defined by Porter and Kramer (see Section 2.8.2 above) between the outsource provider and buyer. As our interviews will show, CFS has outsourced IT work to India with Steria and others. Global outsourcing is controversial and some commentators such as Parayil (2005), Jones (2005) and Levy (2005) have forcefully argued that it is detrimental to social responsibility (see section 2.5 above). GITO engagement may be seen as counter to the Co-op formally stated social responsibility to Communities (see Section 6.4.6 below). CFS work from the UK is now performed in India, but since CFS is working with Steria to improve the lives of underprivileged children in India, the Co-operative’s social responsibility reputation may remain intact so that the Co-op’s goal “to do so much more than create profit” continues to be credible (The Co-operative Group, 2011, p. 2).

The next section provides the details from the case study interviews and the six key themes that emerged from those interviews.

### **6.3 Six CSER Themes**

In Figure 6.4 below, the triangle represents the hierarchy of CSER in an outsourcing relationship as described in this case. The triangle is adapted from Figure 5.2 which depicted the Porter and Kramer strategic CSER model described in the previous chapter. Perspectives of the Porter and Kramer model are presented on the left side of Figure 6.4. At the top of the triangle, strategic

CSER is positioned as a set of capabilities that only a few outsource providers are able to deliver. In the case of CFS, we heard of only one outsource provider who was at this level. In our review of outsource provider CSER (see Figure 5.2) we found only one other provider, Accenture, had identified examples of working with their buyers on strategic CSER projects (see Section 2.8.2 above for definition and Table 5.3 for examples). The bottom of the triangle identifies responsive capabilities that all providers must be able to deliver. Listed on the right side of the triangle are the key themes that are derived from the case study at CFS. The first three themes align with strategic CSER as described by Porter and Kramer. The fourth theme described in the case study aligns with responsive CSER as described by Porter and Kramer. At the bottom of the triangle are two foundational themes from the case study. Although themes five and six emerge as important themes from the case study, they do not directly align with the Porter and Kramer model. We propose these as foundations to the overall issue of CSER in the outsourcing relationship and as prerequisites to the Porter and Kramer model. For example, in theme five the interviewees noted the importance of authenticity in CSER, and commented on marketing-oriented CSER messages that lack substance. This theme suggests that CSER must be demonstrated as substantive before any advantage can be attained. Likewise, theme six acknowledges that global outsourcing will often result in jobs moving from local employees to distant locations, often India. For CFS, this balance of responsibility to the local community compared to the larger global responsibility cannot be ignored.

**Figure 6.4: Hierarchy of CSER in Outsourcing at CFS**

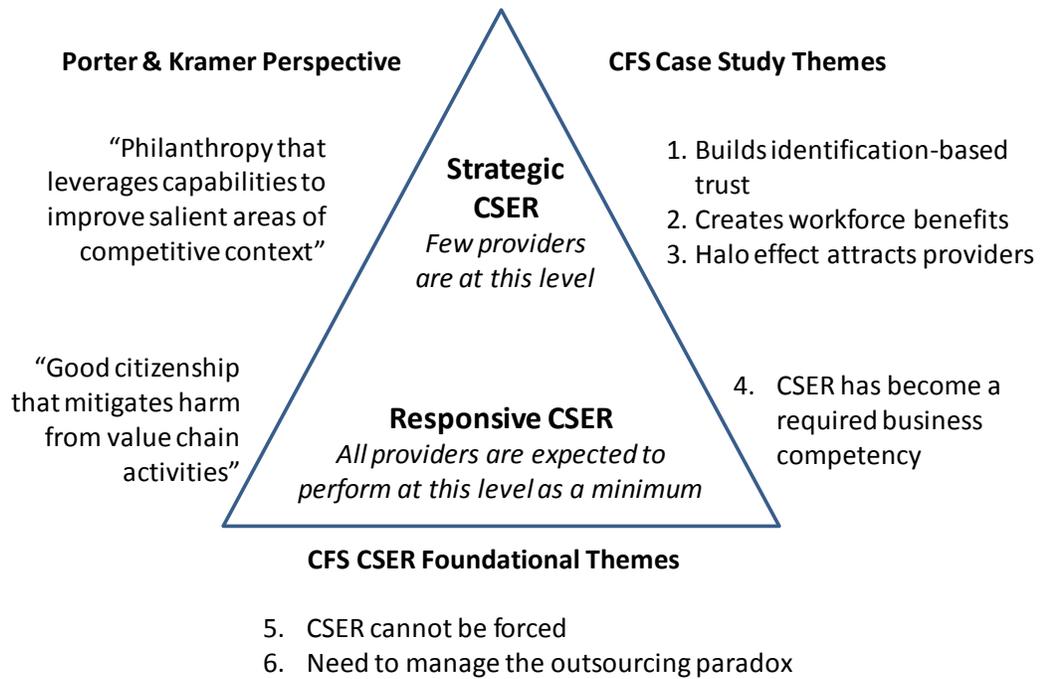


Table 6.2 below summarises the key themes which emerged from the initial interviews. This table has been summarised from the initial data presented in Table 3.13.

**Table 6.2: Key CFS Case Themes: CSER in GITO**

Key Themes emerging from the CFS Case Study	Number of interviewees who mentioned
1. Collaborative CSER activities build trust and improve communication between buyer and provider in a long-term outsourcing relationship	16
2. Collaborative CSER activity creates workforce benefits: reduces attrition, improves staff retention, builds team morale and engagement; inspires commitment to work longer, harder, and attracts, engages and retains workers, especially young workers	11
3. As a leader in CSER, CFS is able to attract providers	9
4. CSER has become a required business competency in outsourcing RFPs, bids and contracts – something to measure, and it should be measured	14
5. CSER cannot be forced, must be personal, should not be a cynical ‘bolt-on’ or ‘banner’ for short-term marketing purposes	13
6. The outsourcing paradox – firms need to reduce costs and still have a social responsibility to the labour force; a constant balance and tension exists between CSER goals and commercial requirements	12

The following is a discussion of each of the six key themes.

### **6.3.1 Collaborative CSER Activity Builds Trust and Improves Communications**

The most important message that came from the interviews was the opportunity to build trust in the outsourcing relationship by collaborating on CSER projects.

As described in Chapter 2, trust between outsourcing provider and buyer is important to building a successful relationship. Lewicki and Bunker’s (1996) model identifies the three levels of trust, which will be demonstrated in the CFS case study. The lowest level, calculus-based trust, is reflected in the outsourcing contract where rewards and penalties are defined and calculated. However, the high-level identification-based trust as described by Lewicki and Bunker, where “each party effectively understands, agrees with, empathises with and takes each other’s values” (Lewicki and Bunker, 1996, p. 119) aptly describes the collaborative CSER projects that we heard of in the interviews. As one CFS executive told us regarding outsource providers: “We want a

*common set of values – to build more trust, [with] like-minded organisations, [where] we share something in common.”*

Many CSER projects were mentioned, such as working together to clean up a local school yard, or contributing to fund-raising for a particular charity. The most compelling collaborative CSER example, described above in Section 6.2, is the CFS and Steria collaboration to sponsor schools in India. Working together builds i) a strong relationship and ii) better communications.

### ***Strong Relationship***

Dealing first with the relationship aspect, we argue that collaborative CSER helps the provider to better understand the client and allows the relationship to develop beyond the commercial contract of the outsourcing relationship. Collaboration on CSER projects creates contexts and circumstances in which greater knowledge-based trust can be built between the outsource provider and buyer, which takes the relationship between the two parties beyond the calculus-based trust of the outsourcing contract. As one Steria executive said:

*These trips out to India are where you really get to know your customers, because you're with them 24 hours a day. And when you share different experiences with them, as you know, it puts your relationship on a very different plain. I think the closer that you work together, the more effective you are. And then from my point of view, the more effective you are, you keep the business.*

In the Lewicki and Bunker model this quote fits the knowledge-based level of trust, which develops through regular communications and “watching each other perform in social situations, experiencing the other in a variety of emotional states and learning how others view this behaviour” and where “the parties cultivate their knowledge of each other by gathering data, seeing each other in different contexts and noticing reactions to different situations” (Lewicki and Bunker, 1996, p. 121 -122).

Working with each other on worthy CSER projects helps the client and vendor to better understand each other. One Steria executive told us that *“It's also working with my main contacts; working with India enables me to understand what makes them tick, what makes the company tick”*. As another Steria executive noted,

*I would just say it massively helps with our relationship and how we work together, and what it does when you're working with people painting a*

*classroom or clearing a play area, you also bring in teamwork and there's so many other things that come into it, other skills, communication. You really get to know the people who you're working with, and when you see them out of a techie environment, it makes a huge difference.*

This last quote shows the importance of getting to know each other outside of the formal work environment, to understand the person outside of the outsourcing relationship. This comment typifies the Steria relationship, where the interpersonal relationship is equally important to the contractual relationship.

The value of a higher level of trust, moving from the calculus-based trust of the contract to knowledge- and identification-based trust delivers additional benefits, such as when things don't go well in a project delivery. As a Steria executive observes:

*So when you've been to these places and shared the experience with people, it does help form a very close relationship ... Let's face it, in outsourcing things don't go perfectly well over time because they don't and that's the reality of it. You're in a world where you're delivering projects and services. It's a fast moving world and not all projects go perfectly well. Good relationships get you through on those situations. ... you keep the clients that you have, and that's about strong relationships.*

This comment strongly echoes other research on the importance of identification-based trust in offshore projects “which frequently require the cooperation of strangers in tough, high-stress situations.” (Sabherwal, 1999, p. 81) As Lewicki and Bunker describe, trust develops from knowledge- to identification-based trust through a “frame-change”, in this case the collaboration in India, in which “the shift is from simply extending one’s knowledge about the other to a more personal identification with the other” (Lewicki and Bunker, 1996, p. 125).

Outsourcing vendors are invited to community day activities, as described by one CFS executive “Because it’s a team-building exercise as well ... we are trying to involve each other in those types of activity because it helps to embed the relationship in a way that just meeting around the table in the office doesn’t do.” “It helps to embed the relationship and just make people feel like they are one community.” Lewicki and Bunker describe identification-based trust as based on “collective identity... joint products or goals ... and committing to commonly shared values” (Lewicki and Bunker, 1996, p. 123). This echoes what we heard at Rio Tinto (see Section 4.4.2 above) where the

concept of shared values and cultural fit were seen to be important characteristics, especially when outsourcing involves services and prices are fairly similar between competing providers. In short, the buyer invites the provider to build the relationship, to participate and join the CFS community.

### ***Better Communications***

To move onto the second point, working on collaborative CSER projects improves communications between the provider and the buyer. This is because with increased trust and an understanding of the individuals involved, communications between individuals and between different groups in the outsourcing relationship are easier to accomplish.

As one Steria executive said, “[CSER] initiatives have helped to diminish the formal communication hierarchy – allows more junior staff to speak directly with seniors on a [CSER] related activity”. A CFS executive told us that:

*“The [Steria staff and executives] are closer to the action. They’re closer to the internal discussion. It’s not a standoff where ‘I’m protecting my IP mindset’. So the defences go down and as a result of that, other things open. They participate in the charity event. They participate in the general spirit and culture of things that are happening”.*

So the comfort level with communications and the lower defences allow communication to become more efficient and more trusting. As described in the Lewicki and Bunker trust model, the two parties in identification-based trust “harmonize” as people begin to develop a collective identity (their defences go down) and to empathise strongly with the other (Lewicki and Bunker, 1996, p. 123).

From the outsourcing buyer’s perspective, CFS looks for providers who share the same commitment to CSER, and expects to build long-term relationships with them. The reason for this is that CFS understands the importance of CSER to its stakeholders as outlined in the annual Co-op Sustainability Report. It wants providers to participate in sustainable behaviour as described in the CFS Sustainable Procurement and Supplier Policy. (Co-operative Financial Services, 2010). We were told that Co-op will sever relationships with providers who are not able to live up to Co-op’s ethical sourcing policies; for example CFS decided to sever relations with a software supplier that was acquired by a military arms producer, considered to be unethical by Co-op’s standards. CFS

staff clearly see the benefits of moving to a long-term partnership with outsource providers, using CSER as a mechanism to deepen the trust in the relationship and move from the calculus-based level of trust to knowledge-based and identification-based trust. As evidence of this, one CFS executive described Steria's relationship with CFS: *"They know us inside out. They know all about the Co-op and its ethics and its values and they line up to them"*.

The CIO at CFS told us that CSER is a prerequisite for those aiming to become a strategic partner as defined by CFS: *"that's a big button they've got to press with us"*. Strategic partners have a long-term relationship, which *"basically means high volume and big transactions"*. He also commented that *"Social responsibility, how you treat your staff and you treat the environments you operate in, and the people in those environments, is really, really key to us in that longer term relationship"*. CFS defines a strategic partner as one that provides a business critical service and where annual spend exceeds £1 million per year as outlined in the CFS Supplier Segmentation Analysis (Co-operative Financial Services, 2010).

The collaboration between CFS and Steria and the resulting identification-based trust is supported by the theories identified in Chapter 2. Lewicki and Bunker describe commitment to *"commonly shared values"* (1996, p. 123), such as collaboration in the One School Programme, as a mechanism for developing identification-based trust. Additionally, the need for identification-based trust in offshore software development projects, through *"early team building efforts,"* as identified by Sabherwal (1999, p. 83), is similar to the team building between Steria and CFS in combining efforts to aid schools in India.

Interviewees from both CFS and the providers emphasised that collaborative CSER will not fit all outsourcing relationships. For buyer and provider to benefit from collaborative CSER, the outsourcing arrangement must have a high amount of human interaction.

This is because this outsourcing relationship benefits consist of improvements to work activities between individuals at CFS and at Steria. Some outsourcing relationships do not have a high amount of human interaction, for example when data centre, hardware support or telecommunications resources are outsourced there are relatively lower levels of personal interactions between the respective buyer and provider groups. The Lewicki and Bunker knowledge and identification concepts of trust apply to business relationships between individuals and groups. When the human interaction is minimal, the concepts of increased trust are less applicable and calculus-based trust would be the most likely form of trust, where *"the relationship*

does not necessitate more than “business” or “arms-length” transactions” (Lewicki and Bunker, 1996, p. 124).

The benefits of collaborative CSER would be difficult to derive in an outsourcing relationship that had minimal human interaction, for example in automated data back-up and recovery, because the strategic value of trust would be difficult to develop. Trust relies on interaction between individuals and limited interaction would diminish the opportunity to develop trust.

As evidence of the need for a high amount of human interaction to develop growing levels of trust, one CFS executive told us that:

*“the [outsourcing] relation is application development which means you’re running projects; a project is very much about people working together to deliver something ... so it isn’t transactional ... by its very nature you do need a more communicative relationship” ... “You have to communicate. You have to build the relationship in order to deliver effectively; so I think the very nature of what we’re wanting to get out of it requires it to be managed in a certain way”.*

Another CFS executive explained that the relationship is:

*“where you work in a partnership and you work really closely together and it works much better”. ... “when you are an integral part of the business, so the kind of work that we do is on the project side we’re actually developing, we’re building, we’re maintaining, and it’s not just a piece of software we’re doing; it’s a project that involves the whole business”. However, when “you’re developing the software and anyone can pick up the software, plug it in and use it” then partnership and trust between buyer and provider is less important.*

A Steria executive explained the importance of the outsourcing relationship in this way:

*Some are buying a transactional relationship where they want it nice and simple; we want that project or we want that box from you or whatever...and that’s it. That’s one end the spectrum of outsourcing. And the other end of the spectrum, you’ve got a genuine partnership where there’s kind of mutual commitment to each other. You’re trying to create win-win type scenarios. You*

*both win or both fail together. And things will go wrong and you work through them, you don't get beaten up.*

As we heard from one CFS executive,

*When you start off on a partnership, you don't create a partnership overnight, there's a maturity to it. As you get more into the relationship and the trust starts to build, this [collaborative CSER] can be very reinforcing factor. There is a timing to it. Probably, you wouldn't be doing it on day one or the first week or first month, you wouldn't be saying, 'Alright, let's work together on joint community planning.' It's something that would come probably a little bit later.*

Strategic CSER is for the long run. Porter and Kramer stress the importance of strategic CSER, where the impact delivers a competitive advantage that will distinguish an organisation over the long run. They stress that short-term responsive CSER, such as “lending a hand in time of disaster or providing relief to society's needy” (Porter and Kramer, 2006, p. 92), although worthy, will not create long-term benefits both for society and for individual organisations. As stated by one Steria executive, *“It won't just be my bottom line this year I will see, and it won't just be [the CIO's] successes over this year. Both parties should be able to see next year, the year after and the year after because you're investing in all of those various aspects to the key outside of just financial”*.

In summary, Porter and Kramer, Lewicki and Bunker provide us with theoretical frames to examine the outsourcing relationship between CFS and Steria. The One School Programme is an example of a collaborative CSER project that builds trust in the outsourcing relationship from calculus-based to identification-based, and is a strategic CSER initiative that creates value to be shared with society, i.e. needy students in India. Building that relationship and the value takes time and focus; the One School Programme is not a happenstance occurrence, the programme is strategic because it is a thoughtful application of CSER that delivers benefits that are difficult to others to copy and it strengthens the competitive position of Steria through a stronger relationship with CFS.

In the next section we examine how this collaborative CSER creates workforce benefits.

### **6.3.2 Collaborative CSER Workforce Benefits**

Many examples were provided during the interviews of how CSER initiatives can inspire the workforce and improve workforce productivity, for both the buyer and provider. Two sub-themes emerged in this area. First, collaborative CSER projects were seen to reduce employee attrition and turnover. Second, the collaboration was seen to build engagement, team work and ultimately, increased productivity at work.

This second theme builds on the first one, where identification-based trust is established. This theme is a by-product or outcome of the established trust; workforce benefits are the tangible outcome of the strategic CSER described by Porter and Kramer.

#### ***Reducing Attrition***

This section presents an argument that benefits accrue from positive staff perception of the value that the collaborative CSER projects bring to the community. We argue, drawing on Lewicki and Bunker, that this has a concomitant effect on loyalty to Steria, realised through identification-based trust where the goals of the worker and the Steria-CFS relationship are congruent.

Collaboration on CSER projects has contributed to lower staff turnover. A Steria executive described the lower turnover on its CFS account, but cautioned that it was not entirely attributable to CSER: *“We do have a lower attrition rate on CFS.”* But it is not solely attributable to CSER initiatives: *“I don’t think it’s purely down to this but I think this contributes” ... “the ethical and social element of what belong to Steria means does help. I wouldn’t say it was THE reason why the attrition has helped. It definitely contributes to that [lower attrition]”.*

Lower staff turnover is a benefit to buyer and provider. According to Porter and Kramer, *“Strategic [CSER] ... is about doing things differently from competitors in a way that lowers costs or better serves a particular set of customer needs”* (Porter and Kramer, 2006, p. 88). In an outsourcing relationship, where the service is delivered by well-trained and experienced staff, the benefit of lower attrition (or turnover), which reduces costs and improves service, is a benefit. The benefit may be considered strategic if the cause of the lower attrition is unique and not easily replicated by another provider. The reduced turnover between CFS and Steria, which is partially attributed to collaborative CSER, would be difficult for another provider to quickly reproduce, given the time and energy required to create the initial collaboration between the two firms.

A CFS executive commented on the benefit of reduced turnover:

*We did some business with [another Indian outsource provider] once as a trial to see if there are other Indian companies that we could do business with. And we were getting different people nearly every month on the project and it was just hard work. I mean that continuity with people on a programme from start to finish was really hard but the turnover in Steria is lowest I've seen of all the Indian third parties.*

CFS recognises and values the low turnover of the Steria outsource employees.

Managing staff turnover is a significant problem in outsourcing. This comment from a Steria executive identifies the persistent challenge of managing employee turnover or attrition in the outsourcing industry. *“Turnover is the biggest thing for me. So we’re not constantly losing staff in their area and bringing new staff in and letting it just start off with new skills, which means projects have more of a success of delivery in the time schedule set.”*

While the organisation-wide Steria attrition rate for 2010 was 16.5% (Steria, 2011, p. 68) the Steria executive commented that attrition on the CFS project was 12% and in some cases Steria turnover could be as high as 25%. Others have reported that Indian outsource providers “can expect to lose 15 to 20 percent of their work forces each year.” (Scheiber, 2004) Turnover is costly for the provider, who must hire and train new replacement employees, and can be problematic for clients because of the disruption to service when an outsource employee leaves. Reducing turnover is a benefit to both the outsource provider and buyer because the buyer gains continuous service from a knowledgeable outsource employee and the provider keeps training and recruiting costs low. Steria reports that its average annual training cost is €691 per person, and the number of annual average days of training is 2.7 days per person for 2010 (Steria, 2011, p. 68). CFS paid Steria over £32 million in 2009 (Co-operative Financial Services, 2010), which suggests at least several hundreds of Steria employees working on the CFS account. The ability to reduce attrition by 4.5% from the organisation average should translate into significant savings for Steria.

Steria executives commented that the Indian outsourcing market has a high level of employee turnover. We heard from one Steria executive about the challenges of keeping turnover low:

*India are going through huge attrition throughout each outsourcer -- it doesn't matter whether it's BPO, ITO. There is massive attrition because the labour pool is becoming far more switched-on and they are moving to that extra three rupees or the promise of a different kind of education...India is booming again*

*this year. And attrition is a massive issue for the industry... attrition on the CFS account is really, really...nothing compared to others, I mean it stands out. ... what it is certainly linked to is the strength of the relationship between the two organisations which is really visible to the guys in India ... you couldn't say the reason for the low attrition on CFS is because what we do on CSR. But it's certainly part of the equation... definitely a factor.*

Turnover in India has become a critical topic in the outsourcing industry, with associated costs and service quality issues that are important for both provider and buyer. From the perspective of the Porter and Kramer model, reduced turnover is a strategic benefit. Several of the interviews cited CSER of the provider as an influence on reducing staff turnover. The link between CSER collaboration and lower turnover is not completely proven with this data; however, the interviews identified CSER as an important factor in helping to reduce turnover at the outsource provider. This is an area for further research.

### ***Motivated and Engaged Employees are More Productive***

In this section we argue that collaborative CSER on the One School programme and on other CSER programmes has created benefits in the form of a more highly motivated, more engaged groups of employees at both Steria and at CFS. This is because the employees have a sense that they are working towards an inspiring vision that is about more than being profitable, as the Co-operative Annual Report states: "to build a better society... to be an ethical leader; to be an exemplary employer" (2011, p. 7). In a period when global financial challenges have disrupted many national economies this vision, which is demonstrated through CSER projects, motivates employees.

Regarding the collaboration between Steria and CFS employees, one CFS senior manager told us how the CSER projects motivated the employees:

*It's the fact that we've got thousands people sitting down at lunch with each other talking about this stuff... engagement is the issue for me. If I've got engaged staff, they're going to stand up and step forward rather than sit back and be passive. I mean it's not just in the textbook, it's a fact you see. It's exudes from the pores of the individuals working on a programme ... engagement is the thing, everywhere you get more out to people and they get more out of you if you're engaged. CFS is model of engagement and focuses around CSR. It's values-based.*

From the perspective of this manager, the CSER projects provide tangible evidence of the CFS values, which motivate his employees.

Regarding CSER activities in India, such as donations to schools, one CFS senior manager told us:

*I have people that come back happier, much more engaged, and feel they're actually doing something which fits in with the values of the companies. So I think the staff engagement, that's just a great thing to do upfront... I see direct and immediate benefit there ... they're coming back and they write blogs on it. So they write on blogs on what they saw—you know the children that they met, what they are saying.*

Working together on projects that help needy children builds a better society, which motivates these employees.

Collaboration on CSER efforts builds a sense of teamwork; as described by the CFS CIO:

*Let's pick the top five and let's give some prizes out. Let's launch it with everybody wearing green shirts on the actual day of the presentations and we took a big picture outside with us all, just raising the awareness of [CSER] between us as one team rather than two teams. ... It's just great—they feel like a part of our team. They really do.*

The combination of Steria and CFS people into one team, to focus on CSER, builds up trust, from calculus- to higher levels of knowledge- or identification-based trust.

Productivity is a key benefit from motivated and engaged employees. Employees at CFS and at Steria who are inspired by a working environment with a vision that is more than simply growing profits will work longer and with more dedication. Interviewees spoke of the energy and attentiveness of the motivated employees who are engaged in CSER projects between Steria and CFS, as the following examples illustrate.

One Steria account manager told us that “People stay longer, sometimes they're investing a lot of their time and it's not paid, I won't necessarily see it on my bottom line, but you will see it on the productiveness of that project, of hitting targets, etc.” The engaged Steria employees will simply be more productive, which is beneficial to the overall outsourcing relationship.

A CFS executive told us about the motivation of Steria employees who value the strength of the relationship with CFS.

*when you are under pressure of getting the tests done against a tight deadline, do you know what the guys say? Well, time to go home now, or do they stay for midnight? These guys stay until midnight and beyond and all night if necessary....the school [CSER] thing is just a little part of that – it just builds that.*

Again, this demonstrates the shared values of the identification-based trust in the Lewicki and Bunker model where the Steria employees have developed a collective identity with CFS and have “committed to commonly shared values” (Lewicki and Bunker, 1996, p. 123), such as helping schools with needy children in India, or working late to complete an important software project.

Other researchers have described similar phenomenon of employee engagement through social responsibility. Bowman describes the “intensifying search for meaning and purpose in work ... and that employees are looking to business to answer questions about the meaning of life” and “employees are looking for a sense of connectedness or community at work, and for their work to be an opportunity to contribute towards society” (Bowman, 2004, p. 14). Others have described how social responsibility in the workplace boosts employee engagement, suggesting that “a sense of pride [from social responsibility] is a major driver of both morale and results... Companies that enhance their reputations through CSR perform better, and generate greater employee loyalty from workers” (Amble, 2007). There is nothing necessarily new about motivated employees being more productive. What is new in this research is that outsource provider and buyer employees working together, on CSER projects that they all support, contributes to improving the trust between the two groups and enables them to collectively become more motivated and productive in their outsourcing work.

In summary, motivated and engaged employees are more productive and dedicated. The vision of a better society, demonstrated through practical projects such as helping needy schools in India, has helped to motivate both provider and buyer employees. Common CSER projects developed as a combined team allow the Steria and CFS employees to build a higher level of trust with each other and to be more productive. Although the CSER projects are not the only factors to motivate employees, executives at both Steria and CFS felt the projects made a strong contribution to employee motivation.

### **6.3.3 The Halo Effect: Providers see CFS as a CSER Leader**

The third theme is called the halo-effect, where the CFS's CSER reputation attracts providers. By establishing itself as a CSER leader, CFS is able to attract outsource providers that may not otherwise be interested in this mid-sized financial services customer, and CFS is able to work with outsource providers to co-develop their brands and reputations regarding CSER.

The MIT Sustainability Initiative has identified CSER as an important issue that will affect the management of all organisations. The research suggests that "sustainability will have an increasingly large impact on the business landscape going forward. ... First movers are likely to gain a commanding lead; it may be increasingly difficult for competitors to catch up" (Berns, Townend et al., 2009, p. 26). CFS is a leader in CSER, as evidenced by their Sustainability Report (The Co-operative Group, 2009; 2010; 2011) and their long history of social responsibility.

This third theme has two parts: First, CFS's reputation attracts leading vendors who want to be associated with a CSER leader. Interviewees called this the 'halo effect', whereby vendors' CSER reputation benefits by association with CFS. This benefits CFS by attracting better qualified providers. Second, by working with CFS on CSER projects, the providers and CFS co-develop their brands, thereby reinforcing each other's CSER reputation.

#### ***CFS's Reputation Attracts Leading Providers***

CFS has established a reputation as a leading CSER organisation and this attracts leading outsource providers that may not otherwise pay attention to CFS. Outsource providers want to be associated with CFS because they benefit from that association at a time when CSER has become increasingly important. As one CFS executive suggested, *"They see being associated with CFS or Co-op Group as a positive from a branding perspective. Our brand already carries certain amount of weight from an ethical [CSER] perspective"*.

As one CFS interviewee stated: *"we punch above our weight"* when attracting global providers....

*We get a much better team from these providers than we deserve for the size of organisation and the business we're doing with them. ... It's because of the name and the halo effect and the fact that they want to do business ... they are all overly keen to do business with us, overly keen. For the size we are and the money we spend with them, it doesn't stack up. But they don't want to go anywhere without having the Co-op as a brand on their list of customers.*

CSER leadership currently is an advantage for CFS. This may not be an enduring benefit, as other organisations seek to emulate CFS's CSER reputation. Currently this reputation allows CFS to attract and work with leading outsource providers such as IBM and Infosys and receive a higher level of quality service than they might otherwise receive.

### ***CFS and Providers Build their Brand Working Together on CSER***

The value to providers of working with CFS is to improve their CSER reputation. Providers want to benefit from the association with one of the leading UK CSER organisations because they increasingly recognise the importance of CSER to their employees, customers and other stakeholders. Providers work in a highly competitive global market where a distinctive capability such as CSER can help them be more successful in winning outsourcing business.

One CFS manager responsible for commercial outsourcing relations told us: *"They are looking to partner with us on a community project where we invest, they invest and we both put our name on it. They see being associated with CFS or Co-op group as a positive from a branding perspective."* He commented that improved branding through the halo effect will *"help them get some new business."* *"once five people turn up with pretty much identical software, and you can negotiate the prices, what's going to make the difference, and I could see something like [CSER] making a difference"*. The last comment is interesting, in that some parts of the outsourcing market have become commoditised, such as hardware and some applications software. Outsource providers increasingly look for a capability that distinguishes their services or products from the competition, especially when prices are similar. CSER is a possible distinctive capability. This comment echoes similar ideas expressed at Rio Tinto, in Section 4.4.2.

CFS also works to influence providers. As Bill Reynolds, a CFS manager who handles the BT outsourcing relationship, told us: *"We seek to influence suppliers to live up to our standards; we are that much further advanced"*. CFS expects their suppliers to come up to CFS CSER standards: *"If you can help us, there's stuff where you can rate a bit higher. You get away from bronze to be a silver. And if you really do and it's demonstrable and it carries, then you can be a gold partner. And it's thinking about applying that sort of logic or that sort of evaluation to the people we do business with."*

To conclude this theme, CFS has a reputation as a leader in CSER and that reputation is valuable in attracting and working with outsource providers. The providers see CSER as an important and

distinctive capability in the competitive outsourcing market and believe that working with CFS will enhance their reputation in this area.

#### **6.3.4 CSER is a Required Business Competency for Outsource Providers**

CSER has become a required competency in outsourcing. Buyers such as CFS will expect that outsource providers are able to demonstrate basic CSER qualifications.

For example, at CFS all potential providers are required to pass an ethical assessment performed by an outside firm. This is the minimum CSER requirement for a provider. CFS prides itself on the fact that that it has turned away suppliers because of ethical considerations. For example, one provider was acquired by an organisation with operations in military equipment and armament. CFS severed ties with the firm because it failed the ethical assessment. All suppliers must comply with the CFS Sustainable Procurement and Supplier Policy (SPSP). As one CFS executive stated,

*They have to fit in, as part of the criteria, when we do any RFIs (Requests for Information) or RFPs (Requests for Proposals). It's a big measuring stick for these third parties and actually if we find something that we're not comfortable with, we won't even do business with them... There's a bar they have to get over and if you don't get over it, we can't do business with them.*

The providers have seen an increased requirement for CSER in RFPs from all buyers, not just at CFS. As one Steria executive stated, CSER is:

*absolutely in every bid now without exception. I have not seen a bid in the last two years where it's not covered. Sometimes it's covered in more depth... it's always in there now. Five years ago it was not there at all, it's emerged over the last five years. In every bid it's a big thing. It's now into the kind of environment stuff as well, which we're starting to see. That's only very recently we are seeing this.*

In line with the above theme of the CSER halo-effect at CFS, providers who have met the CSER criteria of CFS are well qualified to meet similar criteria of other buyers.

Although CSER has become a mandatory requirement, a simple statement of qualifications from a provider does not create a strategic capability, as described by Porter and Kramer, nor does it create a high level of trust as described by Lewicki and Bunker.

From the view of the Porter and Kramer model, this theme represents responsive CSER where outsource providers are expected to comply with CSER norms. This set of comments, although frequent in the interviews, reflects the reality that even in the short timeframe of this research, which began four years ago, CSER has emerged as a normal expectation in the outsourcing arrangement.

From the view of Lewicki and Bunker, this theme represents calculus-based trust, where outsource providers will respond with CSER qualifications because this is a mandatory requirement to be able to win outsourcing work. This is a very low level of trust for an outsourcing relationship. Some providers will calculate the minimum requirements and move forward with less than sincere CSER, which is the next theme.

### ***6.3.5 CSER Must be Authentic; Beware of 'Bolt-on' CSER***

Some providers will extol their CSER qualifications through marketing and communications, but authentic CSER may be lacking. Recognising the growing importance of CSER, many providers will 'bolt-on' an inauthentic image of CSER; a claim without evidence.

For purposes of definition, we describe "authentic CSER" as a set of CSER activities and projects that have a substantial tangible impact on society and/or the environment. In contrast to this, "inauthentic CSER" are CSER activities or projects that have insubstantial or intangible impact on society and/or the environment. Inauthentic CSER is often marked with hyperbole in marketing communication.

We argue in this section that CSER must be authentic to the provider organisation and to the individual, and cannot be a short-term branding or marketing scheme. Porter and Kramer agree: "The focus [of CSER] must move away from an emphasis on image to an emphasis on substance" (Porter and Kramer, 2006, p. 91). This is important because organisations such as CFS will assess their providers and will avoid those with 'bolt-on' CSER. As global CSER standards described in Chapter 2 become more prevalent, providers must be able to move from CSER image to substance.

Many of the interviewees were sceptical of the recent surge in provider firms adopting CSER tags or 'badges' that are quickly worn and easily changed. CFS is proud of its long history, and many interviewees spoke of CSER as "*part of our DNA, the ethos of the Co-op*" and "*it's the right thing to do*". Some CFS interviewees spoke of the need to embrace CSER as a social obligation, and not

strictly as a commercial position. As one CFS interviewee stated, *“where other businesses do [CSER] for commercial advantage and if they didn’t get any commercial advantage from doing it, they wouldn’t do it, we [at CFS] do it because it’s the right thing to do, oh and by the way it may well give us a commercial advantage”*.

The scepticism at CFS may be justified because the motivations and commitment of providers to CSER may not be authentic. The last decade provides many instances of corporations losing the trust of the consumer, the market and regulators, with examples such as Nike in the 1990s, Enron, WorldCom and Arthur Andersen early in the last decade, and with Lehman Brothers, Northern Rock and other financial institutions in the latter part of the last decade. This is important for providers because trust is a critical component in the outsourcing relationship; anything that diminishes that trust works against the outsourcing relationship. The success of outsourcing relies on the trusted reputation of the provider, which can be demonstrated by authentic CSER actions.

Many interviewees see the move to CSER by many providers as superficial and short-term, and several commented that CSER has become fashionable in the wave of broken trust with corporations. Here are some quotes that typify this cynicism. From one CFS executive: *“I see too many UK companies who move into this space, as doing it solely for the purpose of brand enhancement, and therefore I have doubts in their motives and sincerity behind it. So, when the pressure comes on I could see it stopping”*. An outsource provider executive, speaking of a former outsourcing employer stated: *“as an example, they talk about CSER. I never really saw any of that in the two years I was working there. So I read about it, heard about it, but never saw anything in action.”*

Several CFS executives were critical of outsourcer providers who merely comply with CSER requirements: *“My concern was that a rather lot of organisations that just want the [CSER] tick in the box, and were just focused some explicit things, and some of the explicit purposes and the colleagues inside the organisation would not be engaged on those activities. They’ll just be working on them like any other project or any other plan.”* Another CFS executive stated that many vendors *“are busy doing lots of other things and [CSER] is even more like a bolt-on”*. Another executive told us: *“I’ve seen other high street brands suddenly jumping on ... CSER. ... Most big organisations now, if you look at their websites, they’ve all got something in there about [CSER] ... How much of it is just because I have to have [CSER]? How much of it is real?”* Another CFS executive put it like this: *“The latest gimmick is for everyone to be green. Well, of course they’ve always had that... it’s been seen as a gimmick. It’s almost like a sales gimmick.”* These providers

are 'bolting-on' CSER to win ongoing outsourcing work, and are not committed to the underlying CSER concepts.

These quotes identify the importance of authentic CSER. Porter and Kramer emphasise the need for firms to move from a defensive posture to an affirmative approach, where social impact is measured, and from image to substance, where "investments in [CSER] need to be incorporated into the performance measures of managers with P&L [Profit and Loss] responsibility" (Porter and Kramer, 2006, p. 91). Similarly, in the Lewicki and Bunker trust model, the highest level of trust, identification-based, is not possible if CSER is a "bolt-on" or inauthentic. Indeed, the entire concept of trust is built on predictable behaviour, which inauthentic CSER is not. The CSER statements and the reality of CSER actions must match-up, what is stated is what is done; this level of predictability builds trust. If the opposite is true, with inauthentic CSER what is stated is not what is done, then predictability is low and trust cannot be built.

Adoption of CSER must be at the individual level, ideally with leadership from the management team. This is important because of the credibility given to the personal actions of senior executives; leadership is developed from actions, not from words.

A Steria person told us of the employee groups who determine how and where to contribute to their community, with the overall support of management. Another Steria executive described how personal time spent by employees on CSER activities is tracked and matched by the organisation, but the employee must make the first investment of time. As one Steria executive explained, "*The [CSER] agenda is not just corporate thing, it's an individual thing ... Everybody knows that strong commercial relationships are built on strong personal relations ... [but] If you try to force your agenda, then it doesn't work.*" Another stated: "*It has to be a 'do as I do' and not 'as I say', and I think in some situations people have this sort of interest about personal development plans and objectives and I'm opposed about it actually, because to me, it has to be a genuine objective and then do it as an individual objective*".

The most telling example was the personal commitment of senior executives to CSER. We heard of the trips to India and the personal time and financial commitment of CFS executives.

*I know that [the CIO's] commitment is genuine and then [the managing director] ... and it takes time". More cynical firms would "always pick the visible*

*things. You'd always pick the high profile things. You try to choose the things that would give you the quick wins... but it doesn't work.*

This speaks to the authenticity of CSER between CFS and Steria. The relationship investment is long-term. In the Porter and Kramer theoretical frame this is strategic CSER, in the Lewicki and Bunker frame, this typifies knowledge and identification-based level of trust.

For some providers, CSER is performed within their organisation, but is not for collaboration with clients. CSER is separate from the commercial operations of the organisation. This limits the opportunities for the strategic CSER that comes from collaboration with clients.

We learned that at Infosys, CSER is used for marketing and the philanthropy is administered through the Infosys Foundation. As one Infosys executive stated, “[CSER] can be used as a marketing tool. [CSER] is a package that all managers are inducted with. It is a very important aspect for the organisation”. The Infosys Foundation, under the guidance of founder Narayana Murthy’s wife, operates outside of the Infosys corporation, making donations to causes such as health care, destitute women and underprivileged children. From the perspective of the Porter and Kramer model, this appears to be responsive CSER, where funds are allocated based on a moral imperative to do the right thing, as part of good corporate citizenship. The philanthropy is one way, from provider to community, without collaboration with buyers (see Figure 2.3).

From the perspective of this theme of the need for authentic CSER, the concept of unilateral CSER by an outsource provider is admirable but lacks the strategic benefit of working with clients on collaborative CSER projects (a Porter and Kramer view).

In summary, CSER is a desirable capability in an outsourcing relationship for the reasons cited above, such as building trust, improving communications and engaging employees. However, many organisations will embrace the message but will lack the substance of CSER. The CFS case demonstrates the wariness and scepticism that buyers will have for providers who can discuss but cannot demonstrate CSER.

### 6.3.6 *Balancing CSER and Commercial Requirements: The Outsourcing Paradox*

In this section we argue that a paradox of social responsibility exists in outsourcing, where the organisation seeks to protect its workers and their communities with ongoing employment, while at the same time providing services to its customers at a competitive cost.

This paradox is important to recognise but not always easy to explain. This theme was not always offered by the interviewees, and as one executive said, “*It’s almost a bit like the ‘mad auntie’ in the cupboard*”, we all know she’s there but we don’t talk about her. When asked, however, several CFS executives were straightforward about the paradox:

*We will not outsource our front office; but given our scale, we can’t not take advantage of cost efficiencies of outsourcing the back office. We are simply not big enough to buck the market” and “if you didn’t offshore your back office you wouldn’t have a front office”. “For many businesses, if they don’t go down that path [of outsourcing] they won’t exist, and there will be bigger job losses.*

*You’re not going to stop this [global outsourcing]. [India] is the commodity side of IT, the centre of the world. They can do it better than us, they can do it faster than us, they can do it cheaper than us. So what are we going to do? Are we going to ignore it, are we going to go bust while all of these other people use them? We can’t be socially responsible if we don’t have money to invest in social responsibility.*

This theme identifies the delicate balance that CFS and other outsource buyers must manage to maintain the trust of their workers and customers. Both of these stakeholder groups may be opposed to offshore outsourcing, as jobs and employment move away from the communities where CFS operates. The Lewicki and Bunker model suggests that a calculus-based trust model is in use here, where CFS executives must carefully determine the amount of outsourcing that will reduce costs sufficiently to remain competitive while at the same time not alienating customers and workers. The identification-based trust relationship between CFS and Steria recognises this paradox. The collaborative CSER One School Programme alleviates some of the concern that the CFS outsourcing action is done only to improve profits. For CFS workers and perhaps customers, this reduces the disappointment of moving local jobs offshore.

From a legal perspective, CFS outsourcing contracts offer examples of social responsibility practices in outsourcing. For example, we hear from the CFS legal advisor that outsourced workers may not be moved beyond a certain radius of kilometres from their original workplace. Another example is an outsourcing deal that failed to move ahead because the provider would not accept the Sustainable Procurement and Supplier Policy provision for collective bargaining. CFS walked away from the deal because of its commitments to social responsibility.

Some CFS executives suggested that outsourcing work can have an upside for the global society, as argued by the optimists earlier in Section 2.5. Regarding the global society, one CFS executive told us:

*It's a balance that we must strike between showing commitment to this country and also developing other economies, which is ultimately in our interests; we are a global economy." ... "We should be a global organisation" "Everybody that works on the account [in India], if you go and talk to them, they go on and look after 20, 30 people with the pay they get... It betters the lives of the whole family.*

Several interviewees stressed the need to balance goals for CSER and the goals for commercial success.

*We are all commercial organisations that at the bottom line we want to do it the right way. We want to do ethically. We want to do it sustainably, but we do have to make a profit. We have to pay the right money for the right service. We have to ask our customers to pay the right money for the right service. So you know there is always that balance.*

Using the Porter and Kramer framework, the CSER actions of CFS appear to be responsive because of the “need to mitigate existing or anticipated adverse effects from business activities”, which in this case concerns the negative image of moving CFS jobs offshore (Porter and Kramer, 2006, p. 85).

In summary, Section 6.4 has provided evidence from the CFS / Steria case study that examines the role of CSER in an outsourcing relationship. The six themes taken from the case study align with the Porter and Kramer model of strategic CSR. By examining the outsourcing relationship through the lens of CSER, this case research makes a contribution to the literature on outsourcing and on

CSER. We know of no other research that has taken such a view. The next section of this chapter interprets the six themes and begins to create a model for applying collaborative CSER to other outsourcing relationships.

#### **6.4 Analysis and Interpretation: Towards a Tentative Model for Applying Collaborative CSER**

In this section we analyse and interpret the six themes from the CFS case and from the cases described in Chapters 4 and 5. We then develop a tentative model for applying collaborative CSER, built around the empirical findings, which incorporates the Lewicki and Bunker trust model and the Porter and Kramer strategic CSR model.

In interviews with Steria Corporate Responsibility executives in the UK and in India we learned that the One School Programme was not unique to the CFS outsourcing arrangement. Steria has deployed the model with different buyers in different markets. For example, we learned of a similar collaborative model at the Royal Mail, where 2,500 hours were contributed to integrated community programmes in 2010. The Steria UK marketing director told us this type of activity *“massively distinguishes Steria”* in the marketplace and had been successful in helping to win new outsourcing contracts. For example, Steria won an outsourcing contract for emergency shared services in the region of Cleveland (UK) in 2010, partially through recognition of Steria’s community commitment demonstrated by its support for police activities in primary schools. The Vice President for Corporate Responsibility in India described how several outsourcing buyers contributed to the success of the Steria One School Programme. Other outsourcing buyers who participate in the Steria One School Programme include the Royal Mail, BT, Boots, Lloyds TSB and the BBC.

The preceding sections have argued that Steria gains value in reduced attrition in its workforce and lower operating costs, and it builds an identification-based trust relationship that encourages further outsourcing contracts. The Vice President for Corporate Responsibility commented that *“this model is feasible for any client; it can be just computer support or can be the entire model, the full client partnership”*. The discussions with Accenture in India regarding their shared volunteer work with a UK client, described earlier in Section 5.2.1, suggest that other outsource providers understand and are beginning to use collaborative CSER.

The analysis has three sections, which address the Why, When and How of CSER collaboration between outsourcing buyers and providers. Section 6.4.1, Why Bother with CSER in Outsourcing?,

identifies the benefits to buyer and provider of CSER collaboration in outsourcing services. Table 6.5 summarises these benefits. Section 6.4.2, Earn the Right to Discuss CSER Collaboration, describes when to engage and which providers should be considered as partners in CSER. Finally, Section 6.4.3, A Conceptual Framework for Collaborative CSER in Outsourcing, suggests how providers and buyers should work together, and when they should not.

#### **6.4.1 Why Bother with CSER in Outsourcing?**

We asked the interviewees about the benefits they saw in working with outsourcing providers on CSER initiatives. Table 6.3 below summarises the benefits that sustainable collaboration provided to outsourcing provider, buyer or both. As described in Figure 6.3 above, the first three themes are examples of Porter and Kramer’s strategic CSER while the fourth theme is an example of responsive CSER.

**Table 6.3: Benefits of CSER Collaboration**

<b>Key Theme</b>	<b>Benefit to Provider</b>	<b>Benefit to Buyer</b>	<b>Benefit to Both</b>
1. Collaborative CSER activities build trust and improve communication between buyer and provider in a long-term outsourcing relationship	Deepens relationship to improve chances of follow-on outsourcing contracts and renewals	Can ask for ‘extras’ from provider without being charged for every activity	Ability to work through tough and unexpected problems. Cuts through formal communications hierarchy
2. Collaborative CSER activity has workforce benefits: reduces attrition, improves staff retention, builds team morale and engagement; inspires commitment to work longer, harder, and attracts, engages and retains workers, especially young workers	Lower operating costs (training, replacement)	Retention of knowledge, reduced start-up costs, fewer errors	Overall lower costs, improved ability to attract good talent
3. Co-op is a CSER leader, which creates a halo effect that attracts providers		Attention from key suppliers, “punch above our weight”	

4. CSER has become a required business competency in outsourcing RFPs, bids and contracts – something to measure, and it should be measured		Halo effect of CFS reputation becomes a credential in winning other business	
5. CSER cannot be forced, must be personal; should not be a cynical ‘bolt-on’ or ‘banner’ for short-term marketing purposes			Authentic CSER is not easily replicated
6. The outsourcing paradox – need to reduce costs and still have a social responsibility to our labour force; a constant balance and tension between CSER and ethical goals and commercial requirements			Recognition that both parties must have a commercially successful reputation and the negative social issues of outsourcing need to be balanced with positive CSER issues

**6.4.2 Earn the Right to Discuss Collaborative CSER**

Simply declaring a strategy to work collaboratively on CSER will not create the strategic benefits that Porter and Kramer identify. Both the provider and the buyer must earn the right to engage in collaborative CSER by investing in appropriate outsourcing relationships over time. This section describes a model for understanding the prerequisite conditions for CSER collaboration between outsource provider and buyer.

From the six themes set out above we derived three underlying concepts: relationship maturity, personal interaction and CSER collaboration. Together these concepts provide a model to guide our understanding of how to build and leverage CSER within an outsourcing relationship. With the interaction of the three concepts, the outsourcing provider and buyer have the right position to discuss how CSER can work in the outsourcing relationship.

We first discuss the relationship maturity concept. A new outsourcing relationship requires time and commitment to develop. A mature relationship that has developed over time provides a more fertile environment for collaboration in CSER projects. For example, an outsourcing provider who has just begun a contract with a buyer needs to demonstrate ability to provide the contracted service. Several CFS interviewees describe this as the “hygiene factor”: the provider must be able to do what they said they would. On the other hand, the passage of time is not a guarantee of a mature relationship. The CFS IT Supplier Segmentation Analysis (Co-operative Financial Services, 2010) identifies four categories of suppliers: strategic, essential, volume and transactional. Suppliers who provide commodity products or services where business criticality is low, may have a long-term and high-volume relationship, but may not reach the relationship maturity needed to move to higher levels of CSER collaboration. Table 6.4 below distinguishes between an immature and a mature outsourcing relationship.

**Table 6.4: Relationship Maturity**

<b>Immature relationship</b>	<b>Mature relationship</b>
Short-term, unknown relationship duration; project-focused	Several years of experience, long-term contract, e.g. seven years or more
Low volume of business	High volume of business
Limited business criticality	Business critical services or products
Starting to demonstrate reliable delivery of products or services	Established record of reliable delivery

The second concept is spectrum of personal interaction, from low-touch to high-touch. Some outsource activities require little or no personal interaction; for example, disaster recovery services, data centre operations or document scanning services which may be completely automated, even though the service may be business-critical and high-value. On the other hand, business process re-engineering or application implementation usually requires a high degree of interaction at various levels between the buyer and provider organisation. In some cases multiple organisations may be involved. Table 6.5 below provides a set of characteristics of low-touch and high-touch aspects of the personal interaction concept.

**Table 6.5: Levels of Personal Interaction**

Low personal interaction (low-touch)	High personal interaction (high-touch)
Technology-based service or product	High service level requirement, low technology component to service
Limited communication between buyer and provider after contract	High level of communication required for project to be successful
Can be delivered from a distance (off-shored) with limited need for in-person meetings	On-site interaction frequently required, for planning, requirements, review, discussion, etc.

The third concept is CSER collaboration, outlined below in Table 6.6. This is the ability of the two organisations to identify and work together on CSER initiatives that are beneficial to the relationship. Several interviewees at CFS referred to different levels of CSER in the relationship between the buyer and provider. This concept is directly aligned with the Lewicki and Bunker model of trust. At the lowest level, the provider must demonstrate basic or “hygiene” CSER. We describe this as the basic, minimal CSER that is acceptable in the eyes of the buyer. The provider is expected to live up to the buyers’ basic CSER expectations and provide the services reliably at a competitive price. For example, at CFS this means that the provider has passed the ethics review required for all suppliers. The Sustainable Procurement and Supplier Policy states that CFS will “work with suppliers and partners who can make a positive contribution to our pursuit of sustainable development”, and identifies standards such as the Universal Declaration of Human Rights, “freedom of association and collective bargaining” and a “safe and hygienic working environment” (Co-operative Financial Services, 2010). This level is analogous to calculus-based trust, which is “an ongoing, market-oriented, economic calculation whose value is determined by determining the outcomes resulting from creating and sustaining the relationship relative to the costs of maintaining or severing it” (Lewicki and Bunker, 1996, p. 120). As the CIO at CFS told us, “if we find something [relating to CSER and social responsibility] that we are not comfortable with we won’t even do business with them”. At the second level, providers and buyers align their CSER priorities to focus on mutual opportunities, for example to support of local charities in Manchester. This alignment can be powerful, as we heard in the interviews, because it supports the CSER priorities of both parties and reinforces the relationship. CFS has established three CSER

priorities (inspiring children, reducing global climate change and reducing poverty) which allow outsourcing vendors to focus on topics that are important to the buyer. This level is analogous to knowledge-based trust, where “trust is grounded in the other’s predictability [and] develops over time, largely as a function of the parties having a history of interaction that allows them to develop a generalized expectancy that the other’s behaviour is predictable and that he or she will act trustworthily” (Lewicki and Bunker, 1996, p. 122).

The third level of CSER collaboration is where the outsourcing buyer and supplier, working perhaps with a third party such as a charitable foundation, NGO or community organisation such as school districts in India, combine forces to create a new capability that would be beyond that of each individual organisation. For example, the Rockefeller Foundation has focused on outsourcing as a mechanism to “generate a step-function income improvement for those at the base of the pyramid ... [who benefit from] ... sustainable employment as principle workers in business process outsourcing centres” (Nyoro, 2011, p. 2). At this level, both organisations benefit from the collaboration and they make a contribution to society. In the Porter and Kramer model, this creates shared value, “which involves creating economic value [outsourcing] in a way that also creates value for society by addressing its needs and challenges” (Porter and Kramer, 2011, p. 64). From the perspective of the Lewicki and Bunker trust model, shared value can be achieved when there is identification-based trust.

**Table 6.6: Levels of CSER Collaboration**

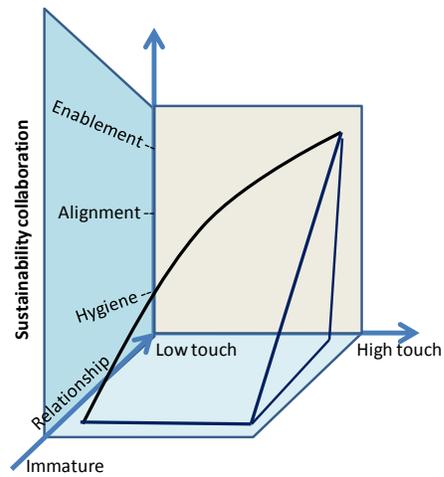
<b>CSER Level (from CFS interviews)</b>	<b>Trust Level (Lewicki and Bunker)</b>	<b>CSER strategy (Porter and Kramer)</b>
Hygiene	Calculus-based	Compliance with requirements (e.g. CFS SPSP) and regulations (e.g. UK Carbon Reduction Commitment)
Alignment	Knowledge-based	Support for mutually agreed projects (e.g. combined effort on local community projects)
Enablement	Identification-based	Collaborate on CSER projects that add shared value to both organisations and to the community (e.g. Steria and CFS’s joint support for schools in India)

### ***6.4.3 A Conceptual Framework for Collaborative CSER in Outsourcing***

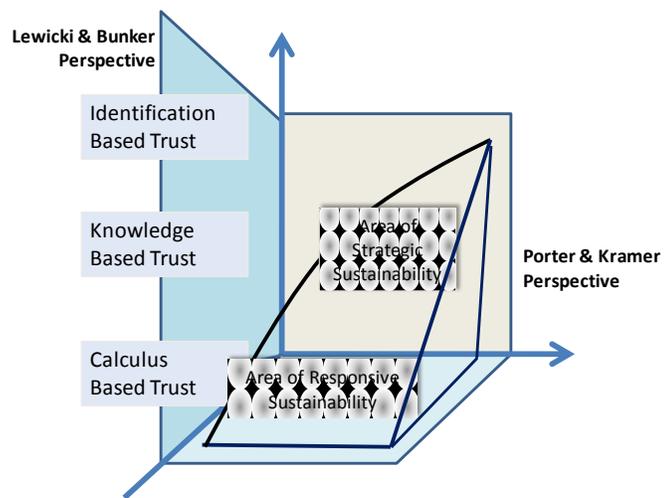
Figure 6.5 below presents a conceptual framework of how the three concepts interact. The ability of an outsourcing provider and buyer to collaborate on CSER is related to the maturity of the relationship and the degree of personal interaction in the relationship. The framework is not prescriptive, and cannot provide a measurable or mathematic determination of collaborative CSER. Rather, it provides a metaphor for understanding the underlying concepts that allow an outsourcing relationship to move to higher levels of CSER collaboration.

Figure 6.6 repeats the same model as Figure 6.5. In Figure 6.6 the theoretical model of trust described by Lewicki and Bunker, and the model of strategic CSR described by Porter and Kramer, are identified on the conceptual framework for collaborative CSER. This model suggests that outsource buyers and providers can only attain strategic CSER, if they so choose, in relationships that have matured to an identification-based level of trust and that are highly interpersonal (high-touch). If trust is calculus-based, the relationship is not mature and personal interaction is low-touch, then the opportunity for strategic CSER collaboration is very low, and the relationship should only expect responsive CSER.

**Figure 6.5: CSER Collaboration in Outsourcing**



**Figure 6.6: CSER Collaboration using Theoretical Models**



**Figure 6.7: Examples of Collaboration CSER in GITO**

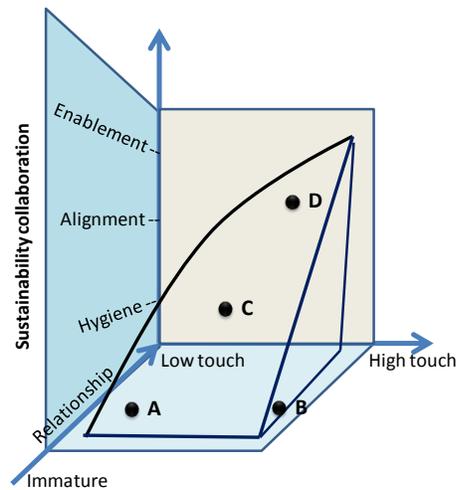


Figure 6.7 above provides examples of provider positioning in the framework. For example, outsource provider A is relatively immature in the relationship, and may provide a service that is not critical at this time. In addition, the service is seen as low-touch, requiring limited personal interactions. For this provider, aside from meeting the basic hygienic CSER needs, there is no benefit to be had from engaging the buyer in significant CSER activities. On the other hand, provider B has a relationship that is at the same maturity stage as A, but delivers a high-touch service requiring substantial personal interaction. B is in a much better position to move to higher levels of CSER activity with the buyer. Providers A and B should display responsive CSER traits as suggested by Porter and Kramer, but will not yet be able to attain strategic CSER with the buyer.

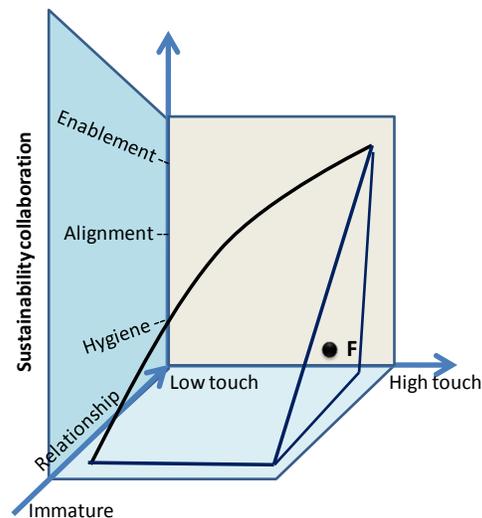
Provider C may not have the same level of personal interaction as B, but has developed a more mature relationship, perhaps with the passage of time, or perhaps because of the volume and criticality of business conducted with the buyer. Finally, provider D is at the highest level of CSER collaboration, with a high-touch service at the same level as B, but with a more mature relationship that qualifies for discussions on CSER collaboration.

Provider D in Figure 6.7 has earned the right to collaborate with the buyer on CSER initiatives. This is not a one-sided relationship; the buyer may actively pull the provider towards that level as well, because both can benefit from CSER collaboration. For example, as described in the CFS case, by working closely together on CSER initiatives, the relationship is enhanced, trust is built, the buyer can rely more heavily on the provider in tough projects and the provider can expect a longer and

more fruitful commercial relationship. Employee turnover in this relationship will be lower, to the benefit of both provider and buyer.

In contrast, provider relationships such as those illustrated by position A or B may never be in the position to engage in substantive CSER collaboration. Some outsource providers will deliver services and develop relationships that are unsuited for this type of discussion. Both the buyer and provider should recognise this reality and should agree to hygiene CSER interaction, e.g. supporting agreed charitable causes with financial contributions, i.e. writing the cheque to charity. Indeed, this is where inauthentic CSER, for marketing or branding purposes, may be seen as artificial. Buyers who determine that a provider is “green-washing” may react more negatively to that provider than to a one who honestly admits that CSER is not a critical factor in their service delivery, aside from the mandatory hygiene factors. Figure 6.8 below depicts this example in position F, where the provider has a high-touch service and a mature relationship, but has no interest in collaboration on sustainable activities. Responsive CSER should remain, but strategic CSER will not be pursued.

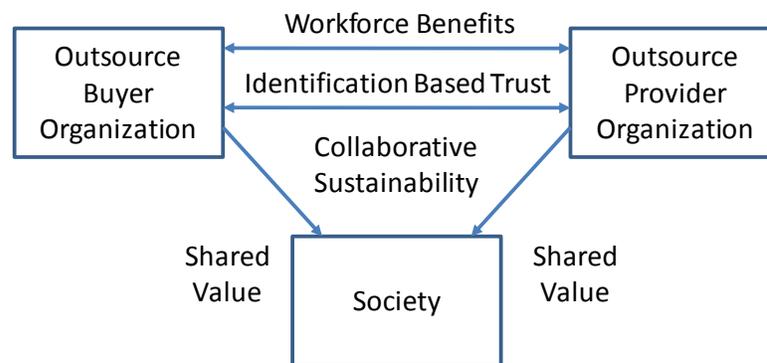
**Figure 6.8: Example of Non Collaboration CSER in GITO**



Chapter 2 proposed a framework which is reproduced and extended in Figure 6.9 below. This framework builds on the strategic CSER concepts of Porter and Kramer (2006) and recognises the deliberate and strategic intent of using philanthropy to create value for both the organisation and for society, referred to as shared value (Porter and Kramer, 2011). In the context of an

outsourcing arrangement between a buyer and a provider, the shared value becomes an attribute of the outsourcing relationship. Collaborative CSER benefits all parties: the buyer gains a more productive provider; the provider gains a more loyal and effective workforce. Collaboration creates an outsourcing relationship with higher, identification-based trust, which allows for increased cooperation and opportunities for ongoing work between the two parties. Society gains better-equipped schools with students who are more likely to succeed in life, and who may one day find employment in the outsourcing industry. This fits with the Porter and Kramer definition of shared value from strategic CSR.

**Figure 6.9: Strategic CSER in Outsourcing**



#### **6.4.5 Action Planning for Managers**

From the perspective of an outsourcing buyer, a four-step action plan for engaging in collaborative CSER might proceed as described below.

First, recognise those outsource providers who have earned the right to collaborate, as discussed above in Section 6.4.3. Typically these will be strategic providers who have a large outsourcing contract for critical services, with a high degree of human interaction. Providers would be assessed in terms of the type of service, the maturity of the relationship and the compatibility of values and CSER priorities. Not all outsource providers will be receptive to collaborative CSER. Some will prefer to operate with the simpler voluntary philanthropy described by Carroll (see Figure 2.3) with no need to collaborate with buyers. This model is a simpler and easier to manage model. Interestingly, we began our research with a focus on the relationship between Infosys and CFS. As described in Section 5.2.2, Infosys has a very strong CSER profile. However, we could find no examples of collaborative CSER in the relationship between CFS and Infosys. Perhaps Infosys

prefers to maintain the voluntary philanthropy model and focus its CSER efforts in-house. Perhaps the relationship between these two companies is not yet mature and trust is still calculus-based so that collaborative CSER is not yet possible.

Second, focus on CSER initiatives that are common, or are considered by both organisations to be priorities. Both parties should look for CSER issues that they agree are on their list of priorities. For example, both CFS and Steria have identified the education of young people as a priority. CFS has identified climate change and Steria has begun to implement solar power in its school programme, which presents a new opportunity for collaboration. The outsource buyer and provider should constantly review and refresh their CSER priorities and opportunities, as determined by their individual corporate priorities and as new opportunities become available. From the perspective of the Porter and Kramer model, shared value requires a need for “an ongoing exploration of societal needs [which] will lead companies to discover new opportunities for differentiation and repositioning in traditional markets, and to recognize the potential of new markets they previously overlooked” (Porter and Kramer, 2011, p. 68).

Third, start with small collaborative CSER initiatives. In the case study, a single school in India became the starting point that should grow to a larger network of schools; at the time of this case study two schools are involved. Start small, with a large vision, and grow the initiative over time. As Lewicki and Bunker and a number of other trust models emphasise (Rousseau, Sitkin et al., 1998; Lewicki, Tomlinson et al., 2006), the passage of time is a key factor in maturing trust from calculus-based to higher relationship levels.

Fourth, measure and revise the collaborative efforts and reconfirm that ongoing CSER projects continue to meet objectives for the individual organisations and for the outsourcing relationship. For example, Northern Trust, based in Chicago, has used the balanced scorecard measure to compare its CSER collaboration with important outsource providers. The scorecard approach recognises the need to build in a time-frame for the collaboration projects, which was not discussed in the CFS case.

## **6.5 Confirmatory case – Collaborative CSER at Northern Trust**

In February 2011, after completing the CFS case data collection, the researcher met with representatives from Northern Trust at the IAOP Global Outsourcing Summit. Follow-up interviews were conducted with Northern Trust by telephone in April 2011. At the Summit, Northern Trust representatives from Chicago presented an overview of their model for CSER collaboration with

global IT outsource providers. The Northern Trust model relies on the Porter and Kramer Strategic CSR framework (2006), and uses a structured approach to engage outsource providers. Tata Consulting Services (TCS) is the major GITO provider working on collaborative CSER with Northern Trust.

The Northern Trust implementation of collaborative CSER with TCS confirms the model described in this Chapter between CFS and Steria. From a critical realist perspective, collaborative CSER in GITO is a social phenomenon that is real and is reproduced and transformed into outsourcing relationships, whether that relationship is in Chicago between Northern Trust and TCS or in Manchester between CFS and Steria. In this way, Northern Trust's case of collaborative CSER in GITO, is confirmatory because it "test[s] or further explicate[s] a conceptualization" (Miles and Huberman, 1994, p. 17).

## **6.6 Chapter 6 Conclusion**

The Steria-CFS outsourcing relationship is an excellent example of collaborative CSER. Perhaps CFS is a unique case due to its organisational emphasis on CSER and its 165-year history as a co-operative. However, as demonstrated in Figure 2.1, CSER is a rapidly growing topic of interest for many organisations. CFS actions for collaborative CSER in outsourcing should be seen as a leader or bellwether for others to follow.

By examining the role of CSER in outsourcing at CFS, we have provided a preliminary model for future research and practical management action based on a recognised leader in CSER. As explained by the Steria marketing director, and as suggested by the Accenture Corporate Citizenship leader in India, this model can be replicated with different outsource buyers. Section 6.4.3 above demonstrates that the right combination of outsourcing relationship maturity and personal interaction is required to initiate collaborative CSER. For astute IT outsourcing providers, this model provides an interesting opportunity to further cement an outsourcing relationship, extending the value of the relationship and protecting it from competition. Collaborative CSER provides a strategic capability for those providers who earn the right to engage outsourcing buyers.

Collaborative CSER will not be appropriate for all outsourcing relationships. Our model suggests that several conditions should be in place before the concept can be considered in the relationship. However, we suggest from our findings that when the conditions are in place and the outsourcing buyer and provider engage in collaborative CSER projects, they will gain long-term

benefits such as increased trust and communication in the relationship, lower staff turnover, higher productivity and the ability to attract new workers to outsourcing projects. These all contribute to a lower-risk, more successful outsourcing relationship, which benefits both the buyer and provider.

The implications for outsourcing buyers are as follows: carefully assess where collaborative CSER can be developed with strategic outsource providers and begin the discussion. Seek alignment on CSER values and priorities; start with initial projects and expect the provider to follow with larger activities. Constantly monitor and measure the progress and value of collaborative CSER projects. Expect to see benefits in workforce productivity and retention and in the quality of communication and trust with the provider.

The next and final chapter summarises and interprets the findings from this case study and from previous chapters. The findings are generalised to become applicable for other outsourcing buyers and providers. The next chapter also assesses the weaknesses and gaps in this research and concludes with an identification of further research on this topic.

## **Chapter 7. Conclusions**

### **7.1 Introduction**

This chapter highlights key components and findings of the research study. By way of a brief overview of the preceding pages, Chapter 1 outlined the research task underpinning the project, which was to examine the role of corporate social and environmental responsibilities (CSER) in global IT outsourcing. Next, Chapter 2 examined the literature on Corporate Social Responsibility (CSR), sustainability and outsourcing. In particular, we looked at environmental issues linked with outsourcing, such as energy consumption and greenhouse gases as well as carbon emissions from global travel and electronic waste. In a review of global CSER standards we identified the Global Reporting Initiative, Carbon Data Project, ISO 26000 and the United Nations Global Compact as the commonly accepted standards. Three theoretical frameworks were explored as guides to the research: the stages-of-growth model, the Porter and Kramer (2006) model of strategic CSR and the Lewicki and Bunker (1996) model for trust.

Chapter 3 established the research methodology, using both quantitative and qualitative methods to answer the research question, and the case study approach was identified as the main research technique. This approach was then used to explore the key themes in CSER and outsourcing at outsource buyers Rio Tinto and Enbridge in Chapter 4. In Chapter 5 the exploratory case approach was used to examine CSER from the perspective of the provider at Accenture and at Infosys. In this chapter we also used content analysis to understand the stages of maturity in CSER for outsource providers. Following that analysis we proposed a model for CSER in outsourcing with three categories of outsource provider CSER maturity (Figure 5.1, p. 133). The chapter concluded with a hierarchy of CSER for outsource providers, with Philanthropic CSER as the base, followed by Responsive CSER, then Strategic CSER and then Collaborative CSER at the top.

Chapter 6 deployed the case study approach again to explain the role of CSER in the outsourcing relationship between Co-operative Financial Services (CFS) and Steria. Using the strategic CSR model from Porter and Kramer and Lewicki and Bunker's trust models, the six themes which emerged from the CFS-Steria case study provided an answer to the set of research questions described in Chapter 1. In determining why providers and buyers should engage in CSER we found that collaboration on CSER projects created higher (knowledge-based and identification-based) levels of trust in the outsourcing relationship. Moreover, collaborative CSER projects improved the productivity and dedication of the workforce. We used the findings to create a conceptual

model that defines when and how to engage in collaborative CSER in outsourcing (Figures 6.5, 6.6, 6.7 and 6.8, pages 198-200). The chapter concludes with four action proposals for buyer and provider managers.

This final chapter begins first with a review of the research question which initiated the study in May 2008. The period since that time has witnessed much growth and change in both CSER and global outsourcing. Second, we discuss the contributions made by this research to practice, theory, and research methodology. Third, the limitations of the research study are discussed. Fourth and finally, potential areas for future study are proposed.

## **7.2 Reviewing the Research Objective**

The aim of this research has been to answer this overarching question: how do corporate social and environmental responsibilities affect decisions to globally outsource IT? The objective of the research was to understand, from current buyers and providers of outsourcing services, how social and environmental responsibility considerations, also called sustainability, are factored into outsourcing decisions. This may involve decisions regarding new outsourcing arrangements or it may relate to the renewal of existing arrangements.

Four subordinate research questions extend from the key question, which are as follows:

1. What, if any, are the benefits of CSER in an outsourcing relationship, for outsourcing buyers and outsourcing providers?
2. How should outsource providers develop CSER within their organizations?
3. What should outsource buyers evaluate regarding CSER in a provider?
4. What is the role of emerging global CSER standards such as the Global Reporting Initiative (GRI), and the ISO 26000 Guidance for Social Responsibility, and what is the role of emerging government regulations and guidelines?

The research examined outsourcing from the perspective of the buyer and the provider. Two exploratory case studies were conducted with buyers Enbridge and Rio Tinto, and a further two exploratory case studies were conducted with outsource providers Accenture and Infosys. Working with three professional associations, National Outsourcing Association in the UK, the Centre for Outsourcing Research and Education in Canada and International Association of Outsourcing Professionals in the US, we received survey responses from 280 outsourcing buyers, providers and advisors. The survey data provided guidance on the important CSER issues in

outsourcing. The detailed case study of CFS and its relationship with outsource provider Steria delivered a rich set of information that, together with previous analysis, provided answers to the research questions.

With comments from 108 individuals in focus groups and interviews, with survey results from 280 others and with an examination of how six organisations use CSER in outsourcing arrangements, this research has found that CSER is growing, and will continue to grow, as an important issue in outsourcing. The research has identified key trends and provides important directions and guidance to outsource buyers and providers regarding the role of CSER in GITO.

From interviews and a focus group in 2008 we identified seven key themes that are directing CSER in GITO. We found that CSER in outsourcing is new and relevant, with growing interest from business in general and from outsourcing providers and buyers. CSER will be driven by consumer concerns and employee expectations, which is particularly relevant for outsourcing buyers with a consumer-oriented product or service, such as banks or retail organisations. The need to attract and retain employees will increase the need for CSER at outsource providers. Similarly, CSER is important to an organisation's brand reputation, with consumers, employees and other stakeholders such as investors. Within CSER, environmental topics are growing as an important set of issues. Environmental issues are two-fold: reducing power consumption is a good management tactic, which also reduces GHG emissions from carbon-based power production. Reducing GHG is part of environmental responsibility in CSER. In fact, several governments are intervening with carbon tax and carbon reduction commitments that will encourage GITO providers and buyers to embrace CSER. However, we learned of 'green-washing' the need to be suspicious of CSER claims that cannot be fully validated. This led us, and others, to suggest that due diligence is required to counter possible CSER 'green-washing'. As a method in validating CSER claims, we proposed using emerging global CSER standards such as the Global Reporting Initiative when examining CSER at outsource providers.

With these CSER themes established, and with input from surveys through professional outsourcing organisations, and with two pilot case studies at Enbridge Gas Distribution and Rio Tinto Mining, we developed five guidelines for acquiring CSER knowledge, for buyers and providers. These guidelines enable practitioners, managers, buyer and providers to better prepare their organisations regarding CSER in outsourcing. First, they must understand relevant CSER regulatory requirements, which apply in the jurisdictions where the buyers and providers operate. Second, they must anticipate stakeholder expectations for CSER, for example the expectations of

consumers, employees, regulators and shareholders. Third, buyers and providers must respond candidly/directly and honestly to CSER inquiries from stakeholders to counter any perception of 'green-washing'. To do this, our fourth guideline is to embed CSER in ongoing operations, so that it is not an afterthought or a bolt-on. Nor should CSER become simply a marketing message. Finally, the fifth guideline is to develop a CSER culture through the hiring of specialist skills in CSER as well as providing education in CSER to current employees. These five guidelines provide fundamental directions for providers and buyers to address the seven key CSER themes. These are novel and new concepts that we suggest to the GITO community.

In our examination of the CSER profile of top GITO providers (see Chapter 5) we determined that CSER can be measured as stages-of-growth, where providers can plan to grow from an early CSER stage, to a more mature stage, to potentially become a CSER leader. We measured CSER maturity by applying the guidelines above, summarised as follows: understand and adopt global CSER standards; anticipate and respond to stakeholder CSER requests; develop and embed CSER within the organisation. For providers at each stage of maturity we described the current position and suggested how to further develop CSER to reach the next stage of maturity.

Building on the CSER maturity model and with data from two further pilot case studies at outsource providers Accenture and Infosys, we began to look at CSER from a strategic perspective, to answer the question: Where does CSER provide long-term advantage to outsource providers? From the growing research data, we proposed a model of strategic and responsive CSER, with the understanding that only a few providers will use CSER strategically, while all providers must comply with the growing list of CSER stakeholder expectations and regulations. This model builds on the foundation of philanthropic CSER to which most outsource providers will contribute. Our model of CSER hierarchy in outsourcing adds a new dimension to the Porter and Kramer model of Strategic CSR, and applies the concepts directly to a new domain, the outsourcing industry. The novel insights from our model add to a paucity of research in this area of practice. Our model of collaborative CSER goes beyond the work of Porter and Kramer. We have applied the model in a novel way to the business relationship between an outsource buyer and provider. By applying the Porter and Kramer model to global IT outsourcing we are able to expand their concepts of shared value to new areas, including societal issues in developing nations, such as education of needy students in India, and environmental issues such as GHG production. In doing so, we have added new insights to their model.

Responsive CSER requires that providers must exceed buyer CSER expectations, which will vary by buyer industry and will be specific to each buyer request for proposal. Clearly, providers must comply with CSER regulations, which may be complicated for global IT outsourcing which operates in multiple jurisdictions. Importantly, employee CSER needs must be addressed by providers, especially as a younger generation workers replace retiring baby-boomer workers in North America and Europe. We have seen that CSER can be used to attract and retain young workers in the competitive GITO employment market. Additionally, compliance suggests that CSER should be used to defend the corporate brand, although we caution again about 'green-washing'; the best defence for corporate brand integrity using CSER will be with substantiated claims using recognised global standards. Finally, as a fundamental management tactic, providers must reduce costs with 'green' GITO focused on reducing power consumption, but also reducing electronic waste and reducing GHG from employee activities, such as global travel. Compliant CSER is the set of basic requirements that have become 'table-stakes' for GITO providers. We suggest that providers unable to address compliant CSER requirements must learn to develop their CSER maturity in order to remain competitive and grow in the GITO market. These are novel concepts to some providers, but are well accepted by mature CSER leaders in outsourcing.

Strategic CSER distinguishes outsource providers by providing long-term benefits that are not easily copied by competitors. To consider strategic CSER, providers must first demonstrate the ability to comply with the CSER requirements described above. When that is accomplished, providers can consider two types of strategic CSER which we derived from the research data. First, by implementing shared CSER activities outsource providers are able to enhance the trust in the outsourcing relationship with their buyers. Second, outsource providers, especially mature CSER providers, are able to provide CSER consulting services to their buyers through CSER value-added services. Few GITO providers have the maturity of strategic CSER, while many are still working to meet the requirements of responsive CSER. The final stage, collaborative CSER, is undertaken by a few buyers and providers who understand the potential shared value of strategic CSER. The conceptualization of collaborative CSER is our novel contribution to the "doing well by doing good" discourse and specifically goes beyond the Porter and Kramer model (2011), applied to outsourcing.

We used the Porter and Kramer strategic/responsive CSER model for GITO in an explanatory case study with Co-operative Financial Services and Steria. The outcome of this case study is a model that provides guidance to outsource buyers and their providers on when and how to collaborate

on CSER projects (Figures 6.5, 6.6, 6.7 and 6.8), and the benefits that should come from collaborative CSER. We have added to the Porter and Kramer strategic/responsive model with theoretical input from Lewicki and Bunker regarding value of trust in collaborative CSER. By including trust as a new dimension to the Porter and Kramer model, we have created a model that is relevant and practical for buyers and providers as they build their outsource relationships.

The case study reinforced several themes that had already been identified in the research data. For example, we demonstrated that CSER has become a required business competency in outsourcing RFPs, bids and contracts as measurable evaluation criteria. Aligned with the strategic CSER concepts we demonstrated that collaborative CSER activities build trust and improve communication between buyer and provider in a long-term outsourcing relationship. And to confirm a consistent theme throughout the research, we argue that CSER cannot be forced, and should not be a cynical 'bolt-on' or 'banner' for short-term marketing purposes; in other words beware of 'green-washing'.

New concepts arose from the CFS case study which allowed us to further develop the Strategic CSR concepts of Porter and Kramer. We posit that collaborative CSER activity has workforce benefits. It reduces attrition, improves staff retention, builds team morale and engagement; inspires commitment to work longer, harder, and attracts, engages and retains workers, especially young workers. We presented evidence that organisations such as CFS who are CSER leaders are able to attract providers who are eager to work with a mature CSER buyer; CFS benefits by attracting a higher quality outsource provider.

Finally, the case study addressed a fundamental outsourcing CSER paradox which is this: buyers need to reduce costs and still have a social responsibility to their local labour force so there will be a constant balance and tension between CSER and commercial requirements. As one senior CFS executive simply stated, CFS must outsource the back-office otherwise it will not have a front-office that continues to employ many people.

The key contribution of this research, in addition to the guidelines and suggestions above, is a model that describes the characteristics that buyers and providers should seek and encourage in their outsourcing relationship that will allow them to collaborate on CSER projects for benefits to both parties and to society or the environment. The concept of collaborative CSER is both an illustration and goes beyond Porter and Kramer's conceptualisation of Strategic CSR, where long-

term benefits are created for both the buyer and the provider, as well as creating value that is shared with society or the environment.

Thus, this research contributes the concept of collaborative CSER and this is where we go beyond the extant literature in the “doing well by doing good” discourse described in Section 2.2.

The important characteristics required to develop collaborative CSER are the maturity of the outsourcing relationship, the amount of interpersonal interaction in the relationship, and the desire to collaborate on CSER projects that align a common vision between buyer and provider. As buyer and provider begin to collaborate on CSER projects they may improve their levels of trust from calculus-based, where actions result in measured rewards and penalties as described in a contract, to a level of identification-based trust, where each party identifies with the goals and priorities of the other. We caution that collaborative CSER cannot be attained in all outsourcing relationships especially those that lack the important characteristics described in the model (see Section 6.4.3 above).

Finally, we suggest four actions for outsource buyers to encourage collaborative CSER with outsource providers. First, carefully choose and recognise those outsource providers who have earned the right to collaborate, by identifying the characteristics described in the model. Second, focus on CSER initiatives that are common, or are considered by both organisations to be priorities, such as commitment to education, or to reducing GHG from operations. Third, start with small collaborative CSER initiatives to learn how to work together and to build momentum and trust. Fourth, measure and revise the collaborative efforts and reconfirm that ongoing CSER projects continue to meet objectives for the individual organisations and for the outsourcing relationship. From ongoing research we have shown that some buyers such as Enbridge and Northern Trust are using the balanced scorecard to establish and measure goals for collaborative CSER with their providers.

### **7.3 Responding to the Research Objective**

First, we respond to the research question: how do corporate social and environmental responsibilities affect decisions to globally outsource IT?

Buyers will require providers to comply with CSER expectations, with explicit requirements including government regulations such as the UK CRC and buyer procurement policies such as Rio Tinto’s “The Way We Buy”. Environmentally and socially responsible products and services have

become a normal expectation of many buyers for economic reasons and from CSER motivations. Buyers also expect providers to provide CSER innovation and leadership, with new ideas and service offerings.

All providers will work to develop their CSER capabilities and grow their CSER maturity. Some providers will focus on strategic CSER and work collaboratively with their buyers on CSER projects to benefit both parties as well as the environment and society. This research has offered a model to guide buyers and providers on collaborative CSER actions. Most providers will work to develop their CSER profile to a higher level of maturity. Providers will constantly be challenged by buyers to demonstrate the authenticity of their CSER commitments and should begin to adopt global CSER standards such as the GRI and ISO 26000.

This research provides new insights, beyond the extant literature on CSER and outsourcing. Specifically, this research identifies collaborative CSER in GITO as a newly described phenomenon that provides shared value to the buyer and provider and society. Collaborative CSER in GITO requires and fosters a higher level of trust, moving from calculus-based trust to identification-based trust. This research contribution builds on the work of Porter and Kramer and on the work of Lewicki and Bunker and demonstrates a new model of collaboration and the benefits that can be achieved by GITO buyers and providers.

We now respond to the four subordinate research questions with further detail.

1. **What, if any, are the benefits of CSER in an outsourcing relationship?** We have seen that CSER can deliver workforce benefits such as reduced attrition and improved productivity. CSER improves communication in the outsourcing relationship, as we heard in the interviews at CFS and is illustrated in Figure 6.3, where the CSER relationships bring broader linkages between the buyer and provider. Moreover, trust is strengthened between provider and buyer through collaborative CSER projects. Researchers such as Sabherwal (1999) and Kern and Willcocks (2000) have established that trust is an important criterion for GITO success, so that CSER can be seen as contributing to outsourcing success.
2. **How should outsource providers develop CSER within their organizations?** Table 4.3 (page 128) provides five guidelines for providers to build their CSER within their organizations. Additionally, the CSER maturity model depicted in Figure 5.1 and described in Table 5.2 provides guidance to providers on how to grow CSER maturity, by adopting

global standards. Providers who wish to move to strategic CSER as depicted in Figure 5.2 and described in Section 5.4.2 should plan to work in collaboration with their buyers as described in Section 6.4.

3. **What should outsource buyers evaluate regarding CSER in a provider?** Global CSER standards provide a universal measure for buyers to evaluate CSER in a provider. In addition to their own procurement policies we suggest that buyers should use the following standards: GRI, CDP, SA 8000, the UN Global Compact and ISO 26000. Moreover, a buyer should verify that the provider complies with government regulations such as the UK CRC. Finally, validation of provider CSER claims is required in the due diligence phase of an outsourcing arrangement.
4. **What is the role of emerging global standards such as the Global Reporting Initiative (GRI), and the ISO 26000 Guidance for Social Responsibility and what is the role of emerging government regulations and guidelines?** CSER standards are relatively young, with GRI beginning in 1999 and ISO 26000 being confirmed in 2010. Many buyers will participate in CSER standards and should require their providers to do the same. Additionally, government regulations will continue to evolve and grow, especially in the area of carbon reduction through taxation and other mechanisms. Buyers and providers must be constantly aware and comply with new and changing CSER regulations.

## **7.4 Contributions**

This thesis is presented to fulfil requirements for a Doctor of Business Administration (DBA) degree. The goal of the DBA is to apply management theories to solve real business issues. As such, this section will first discuss contributions in terms of management practice. Second, we will discuss theoretical contributions and third, methodological contributions will be discussed.

### **7.4.1 Practical Contributions**

Practical contributions from this research can be categorised in five areas. First, contributions are made for outsourcing buyers. Second, outsourcing providers will benefit from the practical knowledge of this research. Third the outsourcing industry, globally, should benefit from perspectives this research provides regarding global CSER GITO standards. For example, an NOA industry seminar to discuss CSER in outsourcing in January 2011 was well attended with interest from many GITO buyers and providers. Fourth, the stages of growth concept can be used to understand how to move to higher levels of trust and improve the outsourcing relationship with collaborative CSER. Fifth, developing areas in various parts of the world may benefit as more

buyers and providers take-up CSER as part of their business operations. Each of these five contribution categories are described below.

From the perspective of outsourcing buyers, this research provides models to guide purchasers in their evaluation of CSER in their outsource providers. We have identified the need for buyers to look for and verify provider compliance with global standards such as GRI, CDP, ISO 26000 and the UN Global Compact. We note from the CFS case study and from the various surveys conducted for this research that the expectation of CSER has become a standard requirement for most outsource purchasing request for proposals. Second, in the CFS case study we have presented a model for buyers to consider collaborative CSER projects with appropriate providers (Figures 6.5, 6.6, 6.7, 6.8, pages 169-200). As described above, the case study may be oriented towards strong social responsibility, for example CFS won an award as the most socially responsible bank in 2010. However, as also described in Chapter 6 we know of at least one other case, Northern Trust, where a similar collaborative CSER model was applied to their outsourced relationship. A practical contribution made from this research is the model that allows buyers to understand how the maturity of the relationship coupled with the degree of personal interaction can be used to determine the viability of collaboration on sustainable projects with the outsource provider. Equally important in this model is the recognition that collaborative CSER may not be appropriate for (or in the interests of) the buyer or provider for some outsourcing relationships. When collaborative CSER is working in the outsourced relationship, the buyer will benefit with a higher level of trust and communication as well as a more productive and loyal workforce, both at the outsource provider as well as within the buyer's organisation.

Second, from the perspective of the outsource provider, this research demonstrates the practical benefits from aligning with outsource buyer social and environmental initiatives, and suggests where and how to engage the buyer in collaborative CSER projects. Clearly, collaborative CSER is not appropriate for all outsource providers. As we depicted in Chapter 5, many outsource providers should continue to develop and mature their CSER capabilities (see Figure 5.1). Those providers who are mature CSER leaders will be able to establish benchmarks for others to attain, as well as being able to create new service lines in their consulting practices. Additionally, providers who excel in CSER both internally and as a service offering to buyers, will be able to attract and retain talented workforce members. From the CFS case study in Chapter 6 we also expect that CSER leaders will have a more motivated and productive workforce at the outsource provider.

Third, the global outsourcing industry lacks a universal standard for social and environmental responsibility. Many industries, such as the mining industry, forestry industry, fishing industry and the apparel manufacturing industry, have defined and adopted their own CSER standards; the outsourcing industry should define its own standards. The International Organisation for Standardization (ISO) has begun discussions to define standards within the outsourcing industry. ISO established a Project Committee, number 259 (PC 259) to address outsourcing. The initial meeting held in June 2011 was attended by representatives from 15 ISO countries. According to the ISO website, "ISO/PC 259 will develop a standard to provide overarching guidance and terminology, enabling practitioners to harmonize principles, procedures and vocabulary in existing and future standards. It will also improve understanding of all parties involved in outsourcing, by providing a common set of practices for managing the outsourcing lifecycle" (Lazarte, 2011). Since ISO has defined ISO 26000 as a global CSR standard, it is reasonable to assume that the ISO PC 259 committee may likewise establish standards for social and environmental responsibility in outsourcing. One outsourcing industry professional association, IAOP, has begun to establish guidelines for CSR in outsourcing which may be adopted by professional members, both individuals and firms. The author of this thesis has already contributed to the IAOP CSR guidelines, based on the research presented here. The 2012 IAOP Outsourcing Summit will dedicate a discussion track to CSR in Outsourcing and this research may be presented to encourage outsourcing buyers and providers to consider practical implementations of CSER.

Fourth, the concept of trust, as described by Lewicki and Bunker, is important in outsourcing and this research shows how to improve trust through collaborative CSER. Academic research has focused on the importance of trust in outsourcing, and empirical evidence from the outsourcing industry has demonstrated the importance of trust. Some outsourcing relationships will not grow beyond the calculus-based trust level, which Lewicki and Bunker admit may be appropriate for "many business and legal relationships [which] begin and end in calculus-based trust" (1996, p. 137). The Lewicki and Bunker model, which is a stages of growth model similar to the stages model described by Richard Nolan (1973), allows the outsource buyers and providers to understand where they are today, to target where they want to grow to, and to plan a set of collaborative CSER tasks that will allow them to move up the stages-of-growth in trust. As we saw in the CFS-Steria case, both providers and buyers can expect benefits from improving trust through collaborative CSER. For example, both parties should see improved workforce productivity, and improved communications in the relationship.

Finally, with a growing interest in the topic of CSER in outsourcing, the value of this research is to highlight how the \$250 billion global outsourcing industry, which is growing by five to eight percent annually, can create positive change in the global society and the global environment through CSER. The Rockefeller Foundation report on Impact Sourcing highlights the opportunity for outsourcing to “accelerate poverty reduction by improving the capacities for poor and vulnerable populations to benefit from more equitable economic growth” (Nyoro, 2011, p. 1). The research in this paper provides a model for providers and buyers to gain from collaboration in CSER and to make a contribution to society, in a manner envisioned by the Rockefeller Foundation.

By combining theoretical models from Porter and Kramer, and from Lewicki and Bunker in an empirical case study, the new model presented here goes beyond the current management practices of buyers and providers to provide insight into how and why CSER is important in GITO. By demonstrating the importance of trust and the applicability of shared value in collaborative CSER, this research presents a novel model for others to consider and adopt in the GITO industry.

#### ***7.4.2 Theoretical Contributions***

This research combines two theoretical views to create a new model for evaluating CSER in outsourcing relationships. The Lewicki and Bunker theory of trust (1996) is combined with the Porter and Kramer theory of Strategic CSR (2006) to create a new concept and model of collaborative CSER. The case study at CFS has demonstrated the utility of this model and we are aware of a similar implementation of this concept at Northern Trust in Chicago. The model reflects the nature of global IT outsourcing and the important opportunity to use outsourcing to create positive change, or in the words of the Rockefeller Foundation, “step-function income improvement for those at the base of the pyramid” (Nyoro, 2011, p. 2). Global IT outsourcing is predicated on labour arbitrage, that is, lower-cost workers in distant locations that provide an equally good, or better, IT service than in-house workers. When jobs are sent offshore this practice has been seen as socially irresponsible, as discussed in the view of pessimists in Section 2.5 and as discussed as the outsourcing paradox in Section 6.3.6. However, as argued by the optimists in Section 2.5 and posited by the Rockefeller’s report on Impact Sourcing, global IT outsourcing has the potential to share wealth with impoverished populations around the world. The theoretical framework described in Section 6.4.4 builds on the Porter and Kramer concept of shared value (2011) to produce a model that benefits the outsourcing buyer, provider and society as well.

The research here thus contributes a model that future researchers may choose to apply and subsequently further refine this model in different contexts.

This research adds the theoretical concept of trust to the Porter and Kramer model of strategic CSR, and then applies the revised model, called collaborative CSER, to outsourcing relationships. This is how we go beyond the extant theory to make a contribution, by combining two established theoretical frameworks and applying the new model to the outsourcing industry to give novel insights on collaborative CSER. This cornerstone contribution can be the foundation for future research to extend the theoretical concepts presented here.

This research contributes to the theoretical discourse on the complementarities of contractual and relational governance. We found that a mature relationship was the foundation for increasing collaboration, which increased the trust between the outsource provider and buyer. In a study of outsourcing contracts to examine the relationship between formal contracts and relationship governance, Poppo and Zenger (2002) found that contracts and relational governance function as compliments, not substitutes. They determined that “customized contracts narrow the domain around which parties can be opportunistic” and “that managers tend to employ greater levels of relational norms as their contracts become increasingly customized” (p. 721). They state that “relational governance may heighten the probability that trust and cooperation will safeguard against hazards poorly protected by the contract. Finally, relational governance may help overcome the adaptive limits of contracts: a bilateral commitment to ‘keep-on-with-it’ despite the unexpected complications and conflicts” (p.708). This thesis has described how the relational governance can be enhanced through collaborative CSER, thus contributing to the Poppo and Zenger findings. In other words, collaborative CSER which augments the outsourcing relational governance will compliment the outsourcing contractual relationship and is not a substitute for an outsourcing contract.

#### ***7.4.3 Methodological Contributions***

This research has combined case study (qualitative) methods and surveys (quantitative) methods to focus on social and environmental considerations in outsourcing. In a review of the IT outsourcing empirical literature, Lacity et al (2010, p. 396) found that in a pool of 164 academic papers, 71 were quantitative (43%), 80 were qualitative (49%) and 13 used both quantitative and qualitative methods (8%). This research contributes to the small but growing mixed-methods approach to focus on a global issue that is important to outsourcing buyers and providers.

More importantly, this research has used the Critical Realism (CR) philosophy to analyse the phenomena of CSER in outsourcing. Critical Realism provides a middle ground between positivism and interpretivism, each of which has shortcomings as ontological foundations for IS research. We are aware that the use of CR in IS research is relatively new. A recent call for papers from MIS Quarterly has highlighted the need to debate and expand the use of CR because it “offers a robust framework for the use of a variety of methods in order to gain better purchase on the meaning and significance of information systems in the contemporary world” (2011). CSER in outsourcing certainly is a contemporary topic in information systems and this research has demonstrated the applicability of CR, using mixed methods to provide complementary perspectives so that we can develop a deeper and broader understanding of the topic. As such, this work contributes to the work of Mingers (2001; 2004), Easton(2010) and others (Dobson, 2001; Morton, 2006; Wynn and Williams, 2008).

## **7.5 Limitations of the Research**

In reviewing this research three limitations become obvious. First, in the four years during which the research was conducted, significant changes have occurred in both the global economy and in the industries under consideration. Second, in a case-based, qualitative research approach the issue of investigator bias must be acknowledged. Third, with limitations of time and funding, only a small set of organisations could contribute to this research. This last limitation must address the applicability of the case studies findings in this research as adequate to draw conclusions for the global outsourcing industry.

### ***7.5.1 Changes in the Global Economy***

During 2008 / 2009 the global economy experienced a significant economic recession, triggered by a financial liquidity crisis which occurred first in the United States and then became apparent in Europe and the rest of the world. The recession resulted in bankruptcies and government intervention in several industries. For example, in the US companies such as Lehman brothers and AIC were shut down, while the US government bought a majority shareholder interest in General Motors. In Europe, the UK government took control of Northern Rock bank while the government of Iceland declared bankruptcy and the European Union provided financial support to prevent Greece from defaulting on its commitments.

One outcome of the recession was a heightened awareness of social responsibility. CFS told us that their brand and reputation for integrity became more important as a result of the diminished

integrity of others during the recession. The outsourcing industry experienced a slow-down period in 2008/09, as organisations tightened their spending. However, as the global economy recovered in 2010 and beyond, the growth of the outsourcing industry recovered, making up for the slow growth of the recession.

The result of the post-recession growth in social responsibility and outsourcing has been a strengthened interest in the intersection of these two topics.

### **7.5.2 Researcher Bias**

In case-study based research, the investigator cannot be removed from the process and should recognise the bias that he brings to the interviews and observations. Yin recommends reporting early findings from the case study to critical colleagues to “test your own tolerance for contrary findings” (Yin, 2009, p. 72). In our research method we sought to discuss early and often the research topic and findings. Table 7.1 below lists the ten events (conferences, seminars, workshops) where the research directions and findings were discussed with academic and professional audiences. All of these events, and the reviews from submitted papers, provided valuable feedback and validation for this research. Certainly we received critical comments from some, but comments and suggestions have been mostly supportive.

The discussions and papers have provided an objective assessment of the research, thus reducing the opportunity for researcher bias.

**Table 7.1: Research Review Forums**

<b>Date</b>	<b>Event</b>	<b>Presentation of</b>
December 2007	1. IFIP 8.2 workshop	Research topic
October 2008	2. CORE Seminar on CSR in Outsourcing	Research topic
November 2008	3. Conference on Information Systems Applied Research	Preliminary findings
March 2009	4. Global Sourcing Workshop	Preliminary findings
May 2009	5. Manchester Business School Doctoral Conference	Preliminary findings
December 2009	6. International Conference on Information Systems	Green outsourcing
February 2010	7. IAOP Outsourcing World Summit	CSR survey

March 2010	8. Global Sourcing Workshop	Green outsourcing
January 2011	9. NOA Seminar on Sustainable Global Outsourcing	CFS case study
February 2011	10. IAOP Outsourcing World Summit	General findings

Interestingly, although the research began with a focus on social responsibility or CSR, it became apparent that environmental responsibility was equally important in the minds of outsource buyers and providers. Although the researcher bias was towards CSR, we have accepted and adopted environmental responsibility as an important issue that is encompassed in the broader term of CSER as depicted in Figure 2.2. Although initially surprising, this orientation towards environmental issues became understandable when we looked at the underlying economic issues such as the rising cost of energy and the significant impact of global climate change from carbon emissions. Moreover, media attention in the last decade has focused on environmental issues encouraging the development of the 'green' movement. Although this researcher and others are sceptical about many of the claims of green outsourcing and green ICT, there is an underlying need to understand the facts on this topic and to conduct legitimate research on green ICT and outsourcing. Within the last two years, several academic journals such as MIS Quarterly and Journal of Strategic Information Systems have issued calls for research papers on this topic, thereby reflecting the need to legitimise these topics with well-founded research.

### ***7.5.3 Limitations of Time and Funding***

Since this research began in 2008 the researcher has conducted dozens of interviews and several case studies and surveys, which are reflected in this thesis. However, because the DBA participation and this thesis were conducted while the investigator is fully employed, there are certainly more organisations and case studies that could be examined to further develop this thesis. Given the limitations of both time and funding, a key challenge that must be addressed is whether the findings from this research can be extended to other buyers and providers in the outsourcing industry. Two main points should be reiterated here to address these potential limitations. First, this research is based on multiple perspectives, using mixed methods, and does not rely on one single case. Second, there is evidence that the topic of CSER in outsourcing continues to grow and has only begun to be established as a topic of interest for buyers and providers.

Expanding on this first point, although CFS provided a cornerstone for the research as depicted in Chapter 6, many other large and global organisations have contributed to the research as outsourcing buyers. For example we interviewed representatives at Rio Tinto, Enbridge, Procter & Gamble, Royal Bank of Canada, Canadian Tire, Unilever, Northern Trust and the Bank of Montréal. We met and interviewed outsource providers at global organisations such as Accenture, IBM, EDS, Tata Consulting Services, Infosys and Steria. We interviewed representatives from professional associations at IAOP in the United States, NOA in the United Kingdom, NASSCOM in India and CORE in Canada. Finally we relied on surveys conducted through these professional associations to provide us with input from 280 respondents. Although the CFS case study provided a rich model for collaborative CSER, the same concepts were demonstrated at outsource provider Accenture in India and at outsource buyer Northern Trust in Chicago. Clearly this research and the findings are based on more than the single case study.

Second, all indications point to the growing business interest in CSER and increased uptake of this concept by both buyers and providers of outsourcing services. For example, the growth of CSER reporting depicted in Figure 2.1 and the increasing commentary from outsource providers in terms of reports and research suggest that this topic has become a mainstream issue for the outsourcing industry.

Thus, despite the restrictions of time and funding, with interviews with dozens of individuals and organisations and input from hundreds of survey respondents, this research is well-founded and can be seen to represent an important trend in the outsourcing industry.

## **7.6 Potential Areas for Future Research**

This research has only begun to scratch the surface of CSER in outsourcing. As we have met with, interviewed, presented to, and discussed this topic with global buyers and providers of outsourcing, as well as advisors and other researchers, their level of interest has grown.

Three potential areas of future study are apparent. These are: the establishment of a longitudinal study to follow up on the case information presented in this paper; a global study to examine best practices in collaborative CSER in outsourcing; and a focus on remote or rural sourcing and collaborative CSER to examine the role of third parties in fostering these types of projects. Each of these areas is discussed below.

First, a longitudinal study that compares the value of CSER in outsourcing to the buyer, provider and to society would demonstrate the durability of this concept and show that the case study results in this research are not temporary. Moreover, revisiting the case studies in this paper would show how the relationship has developed, or not, with collaborative CSER. Such a longitudinal study should revisit the CFS-Steria case and would be able to track increasing value such as additional schools supported by the collaborative CSER programme. The study would also revisit the strength of the relationship to determine how increased trust has been used to bridge the challenges of the outsourcing relationship and to extend the commercial value of the relationship, a key outcome of which would be the ability of Steria to extend its outsourcing work with CFS. At the same time, the role of Infosys and its receptivity to collaborative CSER with CFS will be an interesting development to examine. A revisit of the case would be appropriate in approximately 12 to 24 months, in 2012 or 2013.

Second, a global outsourcing industry study should compare different collaborative CSER programmes to understand best practices and to determine where the buyers and providers are able to create the greatest and most durable shared value for society. This study would be of value to global outsource buyers and providers, and could be sponsored by one or more of the professional outsourcing bodies, such as the IAOP, NASSCOM or NOA. The IAOP CSR survey conducted in 2009 (see Section 3.6.2) is being repeated in 2011, and could be a precursor to such an industry-wide study. The Rockefeller Foundation has asked to include questions in the survey to explore socially responsible outsourcing (see Section 2.5.1) in order to understand the opportunities for impact-sourcing (Nyoro, 2011).

Third, additional research should focus on a combination of rural-sourcing (Lacity, Rottman et al., 2010), which is also called impact-sourcing (Nyoro, 2011), within the context of regular industry-based outsourcing arrangements. This research should examine whether outsource providers would take up collaborative CSER projects such as impact-sourcing within a regular business model of their own volition, or would third parties (such as governments or NGOs or charitable foundations) be needed to encourage collaborative CSER?

## **7.7 Chapter Conclusion**

To conclude, throughout the research we have used theoretical models to guide empirical research. The models have allowed us to understand and explain the phenomena of CSER in GITO, and then to extend the concepts to create a tentative model that we call collaborative CSER. Throughout the research we have provided feedback to buyers and providers in the outsourcing

industry with guidelines and suggestions for practice. Undoubtedly this topic will continue to evolve, as it has since the research began in 2008. Hopefully the models and directions presented here will allow the IT outsourcing industry to improve its CSER to benefit buyers, providers and ultimately society and the environment.

This thesis has provided a once-in-a-lifetime opportunity to examine an important and interesting topic, that of corporate social and environmental responsibility in global IT outsourcing. The research findings and proposed models can make a difference to society, which has made this research so very interesting and worthwhile. The author sincerely hopes this research points to the beginning of a change in the outsourcing industry where collaborative CSER will become standard management practice for GITO providers and buyers.

## Glossary of Terms

Term	Abbreviation	Description	Key authors
Business Process Outsourcing	BPO	The outsourcing of business services that have previously been performed within an organisation. Usually the business services are standardised across many organisations so that a common service can be delivered by one outsource provider to many buyers. For example, payroll and accounting business processes are frequently outsourced.	Kotlarsky Oshri
Carbon Disclosure Project	CDP	An organisation which collects and reports greenhouse gas emission data from over 2,500 organisations “in order that they can set reduction targets and make performance improvements”.	
Carbon Reduction Commitment	CRC	An initiative of the UK government to reduce greenhouse gas emissions by at least 80 % by 2050. The Climate Change Bill became law on 26 November 2008. CRC will result in mandatory public reporting of energy efficiency, plus incentives and penalties.	
Corporate Social Responsibility	CSR	The responsibility of organisations to provide more than economic returns to shareholders, to be responsible for contributions to stakeholders in society including citizens, governments, unions, NGOs and others.	Carroll Matten Moon
Corporate Social	CSE	An outsource buyer and an outsource	Babin

and Environmental Responsibility		provider working together in a project with common goals to improve an agreed topic of that has positive impact on society and/or on the environment.	Nicholson
Global IT Outsourcing	GITO	Third party management of IT assets and services, including people and knowledge content, which are delivered on a coordinated fashion across multiple international locations.	Carmel Hirschheim Lacity Kotlarsky Nicholson Oshri Rottman Willcocks
Global Reporting Initiative	GRI	A reporting standard for social and environmental responsibility. Established in 1997 “to address sustainability challenges such as global climate change”. GRI provides a “trusted and credible framework for sustainability reporting that can be used by organisations of any size, sector or location.” GRI is now broadly recognised by many organisations as a standard for corporate responsibility and CSER reporting.	
Green IT		A term broadly used to identify Information Technology (IT) products and services that are increasingly efficient in consumption of natural resources and with reduced impact on the environment. The term is also used to describe the use of IT to reduce carbon emissions in business operations.	
ISO 26000 Guidance for Social Responsibility		An overall standard for social responsibility, including subjects on governance, human rights, labour practices, the environment,	

		fair operating practices, consumer issues, community involvement and development.	
Outsourcing arrangement		A contract between an outsourcing buyer and provider to deliver services at an agreed price over a defined period of time.	
Responsive CSR		CSR projects that focus on compliance, or acting as a good corporate citizen, responding to the evolving social and environmental concerns of stakeholders.	Kramer Porter
Stages of Growth		A theoretical model that describes the stages or periods of time, in the development of a concept, such as CSER or trust. A set of characteristics identify the start and end of each stage, with rapid growth in between, typically referred to as an 'S' curve. The model is useful in identifying when one stage has finished and the next is about to begin.	Nolan
Strategic CSR		CSR projects are initiatives where the social, environmental and business benefits are large, distinctive over a long period of time, and are aligned with the corporate strategy.	Kramer Porter
SA 8000		Social Accountability International (SAI) labour standards for the global manufacturing industry. SA 8000 assures consumers that products and services are delivered from facilities with fair working conditions for employees.	
Sustainability		Development that meets the needs of the present without compromising the ability of future generations to meet their own needs, as defined by the UN Brundtland	Brundtland Elkington Emerson

		report. Sustainability implies a voluntary contribution to social and environmental well-being by an organisation to a broad set of stakeholders.	
Triple Bottom Line	TBL	A concept where organisations measure their economic (profit), social (people) and environmental (planet) performance. TPL is often referred to as the three 'P's: profit, people and planet.	Elkington
Trust		A characteristic of the working relationship between two organisations, i.e. an outsource buyer and an outsource provider, that helps to maintain strong and effective collaboration between the two parties.	Bunker Lewicki Rousseau

## Appendices

### *Appendix A – Interview Guide for Preliminary Interviews*

#### **Questions for Buyers**

1. How many outsourcing decisions have you participated in, at your current organisation, in the last three years?
2. Approximately how many outsourcing contracts are active at this point in time?
3. What is the approximate overall annual value of your current outsourcing contracts?
4. When your organisation makes outsourcing decisions, have you considered the corporate social and environmental responsibility (CSER) profile of the outsource provider?
5. Is the provider CSER capability part of your evaluation criteria?
6. Have you validated the outsourcers' CSER capabilities and claims?
7. Does your organisation communicate its CSER capabilities?
8. Which of the following components would you include in a CSER profile?
• - environmental considerations
• - improved health of the workers
• - improved family care for workers
• - improved education for workers
• - safe working conditions
9. Do you give preference to suppliers who have demonstrated CSER?
10. Have you altered an outsourcing decision based on a supplier's CSER track-record?
11. Do you expect that CSER considerations will become more important, stay the same, or be less importance in future outsourcing contracts?

### Questions for Suppliers

1. How many outsourcing contracts has your firm won in the last three years?
2. Approximately how many outsourcing contracts are active at this point in time?
3. What is the approximate overall annual value of your current outsourcing contracts ?
4. When your organisation proposes an outsourcing arrangement does your firm promote its corporate social and environmental responsibility (CSER) profile?
5. Do buyers include your CSER capability part of the evaluation criteria?
6. Have you been required to provide evidence of your CSER capabilities and claims?
7. Does your organisation communicate its CSER capabilities?
8. Which of the following components would you include in a CSER profile?
• - environmental considerations
• - improved health of the workers
• - improved family care for workers
• - improved education for workers
• - safe working conditions
9. As a supplier, do buyers give preference if you have demonstrated CSER?
10. Has a supplier altered an outsourcing decision based on your CSER track-record?
11. Do you expect that CSER considerations will become more important, stay the same, or be less importance in future outsourcing contracts?

*Appendix B – Survey Questions*

**Research Survey**

**Understanding Corporate Social Responsibility and Outsourcing**

This survey is for academic research purposes only. The research is conducted through Ryerson University. Survey responses will be aggregated so that individual responses are not identifiable. By completing this survey you acknowledge that you have done so voluntarily. If you would like further information about this survey and the research program, please contact Ron Babin, at the Ted Rogers School of IT Management, Ryerson University (416) 979 5000 x 2448, [rbabin@ryerson.ca](mailto:rbabin@ryerson.ca)

	<b>Question</b>		<b>Check one per question</b>
1	What is the approximate annual revenue of your organization?	Under \$1 Billion	
		\$1 Billion to \$2 B	
		\$2 Billion to \$5 B	
		\$5 Billion to \$10 B	
		Over \$10 Billion	
2	What industry does your firm operate in?	Financial Services	
		Retail	
		Transportation	
		Government	
		Manufacturing	
	Please specify	Other	
3	How many outsourcing decisions have you participated in, at your current organization, in the last two years?	None	
		One or two	
		Three to ten	
		Eleven to twenty	
		More than twenty	
4	How many outsourcing contracts are active in your organization or department at this time?	None	
		One or two	
		Three to ten	
		Eleven to twenty	
		More than twenty	
		Not sure	

	<b>Question</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Not Certain</b>	<b>Agree</b>	<b>Strongly Agree</b>
	When your organization makes outsourcing decisions, have you considered the corporate social responsibility (CSR) capability of the outsource provider?					
	Does your organization evaluate the provider CSR capability as part of your formal outsourcing evaluation criteria?					
	Do you give preference to suppliers who have demonstrated CSR capability?					
	Have you ever validated or audited the outsourcers' CSR capabilities and claims?	Never	Rarely	Sometimes	Often	Always
	Has your organization considered, or practiced, outsourcing to developing regions of the world as a social responsibility?	Never	Rarely	Sometimes	Often	Always
	Do you expect that CSR considerations will become less important, stay the same or be more important in the future?	Much less important	Less important	Stay the same	More important	Much more important
	If you would like to participate in further discussion of this survey, please provide your name and email address below.  Thank you for your participation.					

Please provide any additional comments in the space below.

### ***Appendix C – Interview Guidelines for CFS Interviews***

The guide is intended to structure the interview but not constrain the discussion. The general discussion should be the topic of social and environmental responsibility in outsourcing, in the context of the Infosys and CFS relationship.

Confirm interviewee name, title and responsibilities, including interviewee background and experience. Describe the purpose of the interview and the research, including the need to keep the confidentiality of the response (i.e. interviewee will not be named).

Discuss the role of the interviewee regarding (with specific examples):

- Outsourcing
- Sustainability (social and environmental)
- Planning and strategy

Discussion of CSER actions in the CFS Infosys relationship. Ask for examples of individual and shared actions.

What is their view of the CSER issue and linkage with global sourcing providers? Why consider CSER in an outsourcing relationship? Do they see it as a good idea, what benefits might ensue? What challenges do they envisage in “making CSER happen”?

How does either firm conduct CSER activities in the outsourcing relationship? What policies, processes, practices could be advocated? Are any co-initiatives already in place?

Discuss motivations for CSER in the outsourcing relationship. How do CSER initiatives in the outsourcing relationship between CFS and Infosys create a stronger brand for CFS, for Infosys, for both firms?

Discuss how the CSER actions could be applied to future outsourcing relationships.

Ask for examples of plans, policies, standards, scorecards.

**Appendix D – Persons Interviewed at CFS – June 2010**

Name	Organisation	CFS Mgmt Level	Responsibility / Role	Interview Date - 2010
Graham Leftwitch	CFS	C	Communications	21-Jun
Martin Ellison	CFS	C	IT Strategy	21-Jun
Ian Dalby	CFS	E	Vendor Relationships	22-Jun
Phil Lee	CFS	B	Integration and Change Mgmt (BTP)	22-Jun
Lucy Haligan	CFS	D	Procurement Management	22-Jun
Sumit Roy	Infosys		CFS account rep	22-Jun
Jim Slack	CFS	C	CIO	23-Jun
Simon Bell	CFS	D	Solution Architect	23-Jun
Jane Kempler	Steria		Client Manager	23-Jun
Shaun Evans	CFS	E	Procurement Management	23-Jun
Liz Grundy	CFS	E	Commercial Manager	24-Jun
Graham Green	Steria		Head of Banking Markets – UK	24-Jun
Steve McConnell	CFS	E	Vendor Relationships	24-Jun
Tim Difford	Steria		Delivery Manager	24-Jun
Bill Reynolds	CFS	E	Vendor Relationships	25-Jun
Andrew Swinley	CFS	D	Shared Services Delivery Manager	28-Jun
Sri Mathi	Infosys		Global CSR Leader	28-Jun
Simon Locke	CFS	E	Vendor Relationships	28-Jun
Esther Stevens	CFS		Solicitor	29-Jun
Ron Scurr	CFS	C	BTP Programme Manager	29-Jun
Chris McHugh	Steria		Client Director	29-Jun
Gary Clapham	CFS	D	Commercial Manager	30-Jun

Kath Lucas	Steria		Engagement Manager	30-Jun
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***Appendix E – Persons Interviewed at CFS – January 2011***

<b>Name</b>	<b>Organisation</b>	<b>Responsibility</b>	<b>Interview Date-2011</b>
David Cotterill	Steria	Marketing Director	24-Jan
Steve Briggs	CFS	IT Strategic Partnerships - Functional Leader	25-Jan
Gayathri Mohan	Steria	Vice President CSR India	27-Jan
Jim Slack	CFS	CIO	28-Jan
Graham Green	Steria	Head of Banking Markets – UK	28-Jan

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