

Towards a Taxonomy and Critique of Impact Sourcing

Fareesa Malik and Brian Nicholson

Manchester Business School, Booth Street West, Manchester UK
fareesa.malik@postgrad.mbs.ac.uk, brian.nicholson@mbs.ac.uk

Sharon Morgan

School of Environment and Development, University of Manchester UK
sharon.morgan@manchester.ac.uk

Abstract:

This paper aims to propose appropriate concepts and taxonomy to improve our understanding of an emerging sub-field of global outsourcing known as Impact Sourcing. Impact Sourcing claims to provide a ‘win-win’ scenario of social development benefits by providing outsourcing work opportunities to marginalized communities and business benefits by operating in low cost areas. The paper identifies two main conceptual streams of Impact Sourcing. Social IT Outsourcing derives from the concept of Social Enterprise. Secondly, Socio-commercial IT Outsourcing originates from Corporate Social Responsibility (CSR). The major contribution of the paper is to introduce taxonomy of Impact Sourcing organizations and to critique this emergent mode of outsourcing. The paper provides a conceptual positioning and taxonomy of Impact Sourcing to support further research.

Keywords

Global Outsourcing, Impact Sourcing, Social Outsourcing, Business and Social Development, Taxonomy

Introduction

In 2011, Rockefeller Foundation sponsored a study which focused specifically on identifying the social development aspects of outsourcing. Social development is a social welfare approach which offers an effective response to current social issues; social welfare represents the well-being of people and communities (Midgley, 1995). The study introduces a new sub-field of global outsourcing, Impact Sourcing (IS), and highlights its socioeconomic aspects (The Monitor Group, 2011). According to the Monitor Group “*Impact Sourcing employs people at the base of the pyramid, with limited opportunity for sustainable employment, as principal workers in business process outsourcing centers to provide high-quality, information-based services to domestic and international clients*” (The Monitor Group, 2011, p.2). A major contribution of this paper is an attempt to define taxonomy of Impact Sourcing organizations classified into four categories: for-profit, non-profit, socially responsible and dual-value outsourcing organization. Limited empirical research related to the Social IT outsourcing is available in the academic literature (Heeks & Arun, 2010; Madon & Sharanappa, 2013). The paper goes beyond this prior research and introduces a novel conceptual category of impact sourcing based on Corporate Social Responsibility (CSR) which we call Socio-commercial IT Outsourcing.

Global outsourcing is a process of sending work to an external organization that was formally performed within the organization (Beaumont & Sohal, 2004). The organization that provides the outsourcing services is known as the outsourcing service provider (Kishore et al., 2003),

or vendor (Due, 1992), or outsourcer (Beaumont & Sohal, 2004) and the organization that send its work to be done by an outsourcing service provider is called outsourcing client (Lacity & Willcocks, 2008). In global scenarios, the client and provider may be located in different countries. The main categories of outsourced work are Information Technology Outsourcing (ITO)¹ and Business Processes Outsourcing (BPO)² and the rationale is to focus on core capabilities and obtain high quality services at low cost from the outsourcing service providers (Lacity et al., 2010; Lacity et al., 2011; Beaumont & Sohal, 2004). Gartner forecasts outsourcing market for 2012-2016 and reports that IT outsourcing growth at the rate of 5.9%³ and business process outsourcing growth of 5.5%⁴ annually. According to the same Gartner report, ITO growth rate is more than BPO growth rate. Willcocks and Lacity (2009) forecasts that BPO market grows at faster rate (10-20 %) annually than the ITO market (6-9 %) (Willcocks & Lacity, 2009).

Since the start of the new Millennium, the use of Information and Communication Technologies (ICTs) has become prominent in social development (The World Bank, 1998; UNDP, 2001; UNDP, 2004). The penetration of ICT infrastructure in rural areas and its tremendous potential of socioeconomic development have been highlighted in various research reports published by leading national and international agencies (ILO, 2001; UNDP, 2001; The World Bank, 1998). There is an argument that ICT has a positive impact on poverty reduction because of its ability to create informal employment opportunities for semi-skilled and unskilled people (UNDP, 2004).

Limited literature is available on the social development capability of outsourcing (Heeks & Arun, 2010; Madon & Sharanappa, 2013). Impact sourcing is claimed to offer a 'win-win strategy' for both business and social development (Avasant, 2012; The Monitor Group, 2011). However, global outsourcing has received criticism because of unequal distribution of wealth and unemployment issues created by jobs relocation (Baker, 2004; Woffinden, 2007). Some critics emphasize that outsourcing makes the rich richer by exploiting the advantages of very low wages offered to the poor communities (Parayil, 2005). Other critics are suspicious of the social development objectives of business organizations (Devinney, 2009; Edwards, 2008; Banerjee, 2008; Friedman, 1970).

Since Impact Sourcing is an emerging and under researched area, there is a paucity of research related to the social development objectives of outsourcing organizations. This paper bridges this knowledge gap and aims to achieve following objectives: what is the background and rationale for Impact Sourcing? How can Impact Sourcing conceptually categorize? What are the criticisms of Impact Sourcing? What is the taxonomy of Impact Sourcing organizations?

This paper is structured as follows: the introduction is followed by the literature review. Next section presents the conceptualization of Impact Sourcing and explanation of Social and Socio-commercial IT Outsourcing. The paper identifies the critique of Impact Sourcing in the next section. The taxonomy of Impact Sourcing organization is developed before the final concluding section.

¹ Outsourcing of IT functions

² Outsourcing of business processes

³ <http://www.gartner.com/id=2092915> , Accessed on 24th May, 2013

⁴ <http://www.gartner.com/id=2106215> , Accessed on 24th May, 2013

Literature review

The conceptual underpinnings of Impact Sourcing may be traced to a discourse related to the business advantages of engaging with low income groups demonstrated in Prahalad and Hart's (2002) *Fortune at the Bottom of the Pyramid (BoP)*⁵. The main premise of this discourse is that utilization of the potential of four billion people living at bottom of the low income pyramid may lead to economic and social growth (Prahalad & Hart, 2002). For example, the telecommunication sector has realized the potential of low income market and enabled the Information Communication Technology (ICT) infrastructure availability in remote rural areas (Torero & Braun, 2006). Different organisations have contributed efforts to propose various mechanisms to use business as a vehicle for sustainable social development (WBCSD, 2000; World Bank, 2007). The sustainability of a social development project is its ability to remain operational after the financial support from implementing agent, government or funding body (Harris, 2004). In parallel, public awareness about corporate social responsibility has pressurized business organizations to implement social objectives in their business goals (Porter & Kramer, 2011; Emerson & Twersky, 1996; Falck & Heblich, 2007). Social objectives are social development goals set by businesses as their corporate social responsibility along with earning a profit. According to the World Business Council for Sustainable Development (WBCSD), CSR is a business's commitment to improve the lives of its worker, their families and the community as a whole (WBCSD, 2000). All the factors discussed above have acted as a catalyst to the emergence of Impact Sourcing which is claimed to achieve both business and social objectives simultaneously (Avasant, 2012; The Monitor Group, 2011). Another relevant discourse related to Impact Sourcing is the concept of philanthrocapitalism (Bishop & Green, 2008) which conflates business goals with social development. Philanthrocapitalism is a practice of applying business practices to achieve social objectives; in short, it is the concept of do good for society that will lead to gaining well financially in the long run (McGoey, 2012).

What is Impact Sourcing?

Impact Sourcing is an emerging sub-field of the global IT and business process outsourcing that originates from the concept of business and social value⁶ coexistence (McWilliams et al., 2006; Peredo & Robert, 2006; Porter & Kramer, 2006). The outsourcing service providers that involve in hiring, training and employing marginalized people for ITO and BPO related jobs are called impact sourcer (Carmel & Lacity, 2013) or Impact Sourcing organization; and the organizations that purchase ITO and BPO services from Impact Sourcing organizations are called Impact Sourcing clients (Carmel & Lacity, 2013). The initially defined concept of Impact Sourcing is to employ people from the bottom of the pyramid (Prahalad & Hart, 2002) to improve their income and living standards.

Impact Sourcing may offer a win-win strategy (Falck & Heblich, 2007) for the outsourcing service providers in terms of business profitability; the outsourcing service providers can get competitive advantages while operating in the remote rural areas because they can offer high quality and low cost services to their clients (Accenture, 2012). It may also contribute in social development by creating work opportunities for marginalized people (The Monitor Group, 2011). Marginalized people are trained to perform simple ICT related outsourcing tasks (Monitor, 2010). Carmel et al. (2013) state "people might be marginalized because of

⁵ Bottom of the pyramid refer to the largest socio-economic marginalized group of 4 billion people who live on less than 2\$ per day.

⁶ Here, business value means the commercial benefits for the business, for example, profitability, competitive advantage, business growth, good reputation etc., and social value means to the benefits for the society such as employment opportunities, improved livelihood condition, empowerment, skill development etc.

income, but also because of education, race, religion, gender, sexual orientation, disability, location or other criteria” (Carmel & Lacity, 2013, p.5).

Complex IT outsourcing jobs for example software design, development and testing, can also be performed through Impact Sourcing (Accenture, 2012) but recent studies explore that most of the work tends to be the labour intensive and least-technical ICT related outsourcing tasks; examples include call centre, support helpdesk, data entry, voice and data transcription, data conversion, and online sales which can be learned very easily with the help of ICT learning facilities and proper training (Heeks & Arun, 2010; Madon & Sharanappa, 2013; The Monitor Group, 2011).

After reviewing the available literature, we define Impact Sourcing as a sub-field of global outsourcing which includes all those outsourcing service providers that employ marginalized people (as partial or total organizational work force) to fulfil either their primary social objectives or to satisfy their corporate social responsibility. Impact Sourcing creates job opportunities (Information Technology Outsourcing (ITO) or Business Process Outsourcing (BPO)) for marginalized people that can be done by using Information and Communication Technologies ⁷(ICT). We refer these specific outsourcing service providers as Impact Sourcing organizations, marginalized people as Impact Sourcing employees and the organizations that purchase outsourcing services from Impact Sourcing organization as Impact Sourcing clients throughout in this paper.

Why has Impact Sourcing emerged?

Cost effectiveness of the outsourcing lead to the emergence and growth of Information Technology and Business Process Outsourcing (Lacity & Hirschheim, 1993; Zhu et al., 2001). Along with other advantages of outsourcing, cost saving is the main attraction for outsourcing clients (Lacity et al., 2010).

High employee turnover rate and raise in salary structure due to competitive nature of the outsourcing market have posed many challenges for outsourcing service providers to provide low cost services to their clients (Budhwar et al., 2009). These factors force outsourcing service providers to explore other options of cost reduction; since the last few years, the interest to shift in small cities and rural areas because of high operational cost in the metropolitan areas has increased (Lacity et al., 2010; Lacity et al., 2011) and rural outsourcing come out as one of the alternatives (Lacity et al., 2010). Rural outsourcing moves outsourcing service providers to rural areas to reduce high operational cost in the metropolitan cities.

The Monitor Group (2011) claims that Impact Sourcing has increased the net income of marginalized people (40 to 200%) which affects their family spending on health and education. However, the report does not provide any evidence of effect on spending on health and education. The same report also claims that Impact Sourcing creates business profitability for Impact Sourcing organizations established in small cities and rural areas by reducing approximately 40% of the total operational cost in metropolitan areas due to less operating, infrastructure, hiring and training expenses (The Monitor Group, 2011).

Conceptualising Impact Sourcing

This paper conceptualises Impact Sourcing into two broad categories of Social IT Outsourcing and Socio-commercial IT Outsourcing. Social IT Outsourcing derives from

⁷ Internet, computer, telecommunication etc.

social enterprise and ICT4D literature and inherit the characteristics of social enterprise (Heeks & Arun, 2010; Madon & Sharanappa, 2013). Socio-commercial IT Outsourcing is derived from literature in the domain of corporate social responsibility.

1. Social IT Outsourcing

In recent years the social enterprise concept has gained popularity because of the emphasis on bridging between social development and profit earning (Boschee, 1998). Social enterprise is a 'crossroad link' between public, private and civil society (Nyssens, 2006; Ridley-Duff, 2008; Sabeti, 2009). It is an ideal type of organization which introduces a concept of business driven by social development goals (Nicholls, 2006; Pearce, 2003). The social enterprise literature also emphasizes income generation activities to support social objectives (Alter, 2002; Eikenberry & Kluver, 2004). Emerson and Twersky (1996) propose a definition of social enterprise which corresponds with Social IT Outsourcing concept. Emerson and Twersky write: "*a revenue-generating venture founded to create jobs or training opportunities for very low-income individuals, while simultaneously operating with reference to the financial bottom-line*" (Emerson & Twersky, 1996, p.8).

Heeks and Arun (2010) propose the term Social IT Outsourcing to describe a social outsourcing initiative, Kudumbasree, which has successfully implemented in an Indian state, Kerala. The government of the state acts as an intermediary to provide public sector outsourcing tasks to these rural women-based ICT Social Enterprises (Heeks & Arun, 2010). This category of Impact Sourcing is based on social development and adopts the philosophy of social enterprise. Social IT Outsourcing is characterized by three traits of a social enterprise: social development goal, market orientation/ business strategy and innovation (Alvord et al., 2004; Dees, 2004). Madon and Sharanappa (2013) explore Social IT Outsourcing and identify the balance between market orientation and social development thus embracing social enterprise concepts. In a case study of the IT outsourcing activity of KGVK, a nonprofit arm of KGVK Rural Enterprises, these authors consider the social objectives of the IT outsourcing enterprise with respect to the local community needs. They conclude that Social IT Outsourcing has its own variation of innovation building based on existing strengths and constrained of local context and each model will workout.

Impact Sourcing organizations in the Social IT Outsourcing category are different from commercial outsourcing service providers because they are founded on social development objectives (Heeks & Arun, 2010; The Monitor Group, 2011). From the above debate we define the Social IT Outsourcing concept as 'any non-profit or for-profit IT outsourcing activity, initiated specifically for social development of marginalized people'.

2. Socio-commercial IT Outsourcing

The second conceptual category of Impact Sourcing is derived from the dual benefit discourse of Corporate Social Responsibility (CSR) – CSR as a source of business profitability and social development. World Business Council for Sustainable Development (WBCSD) defines CSR in its publication 'Making Good Business Sense'. According to WBCSD, "*Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large*" (Holme & Watts, 2000, p.8).

The 'doing well by doing good' discourse in CSR claims that business organisations may gain advantages when social objectives are aligned with central business goals (Falck & Heblich, 2007; Porter & Kramer, 2006). CSR is considered as a management strategy (Baron,

2003) because social activities of a business can improve its market image (Margolis & Walsh, 2003; Orlitzky et al., 2003). Vilanova et al. (2009) explore the relationship between CSR and company competitiveness and conclude CSR as a mechanism to increase firm long term competitiveness (Vilanova et al., 2009). Babin and Nicholson (2009) explore how outsourcing clients can include CSR objectives in assessment of outsourcing service providers. The business and society literature posits that the companies that perform their ethical and social responsibilities might face some short term cost to implement the social responsibility but it benefits in long term to business, stakeholders, and community (Burke & Logsdon, 1996; Carroll, 2011; Steiner, 1980; Zairi & Peters, 2002).

We summarize the Socio-commercial IT Outsourcing as a category of Impact Sourcing that includes all outsourcing activities created as a result of corporate social responsibility initiatives of an outsourcing service provider or any other business for social development of marginalized people. There is a paucity of literature to examine the impact of this Impact Sourcing conceptual category on Impact Sourcing organizations and Impact Sourcing marginalized employees.

Critique of Impact Sourcing

Because of the nascent stage with very limited evidence available, it is too early to claim Impact Sourcing success in offering a ‘win-win’ strategy for business and society (Avasant, 2012; The Monitor Group, 2011).

This section discusses the existing critique of business for social development and outsourcing to highlight the need of extensive research on Impact Sourcing. Banerjee (2008) expresses concern about incompatibility between business and social development. This perspective states that the primary relationship between business and society is and will always be economic; the companies consider social responsibility for their own stakeholders’ interest not to serve societal interests. In case of social enterprise, the risk of neglecting the primary social objective is also under consideration (Foster & Bradach, 2005). Critics may argue that Impact Sourcing organizations move to the rural areas primarily for the sake of cost saving and to decrease employee turnover rather than addressing the social needs of the marginalized communities.

Edwards (2008) argues that businesses have little knowledge of the social issues and only civil society or non-profit agencies can better contribute to the social development. Moreover, Edwards (2008), criticizes the concept of dual value creation and philanthrocapitalism in his book ‘Just Another Emperor’ and passionately insists that there is very little hope that they can save the world as claimed by the more exuberant proponents of this discourse. Critiques focus on CSR as a public relations or publicity agenda of the businesses (Banerjee, 2008; Christian Aid, 2004; Edwards, 2008). They criticize businesses as wearing social development “masks” to legitimate their dominancy, business activities and power systems from government imposed strict regulations (Matten et al., 2003). There exists another serious question about exploitation of the rural people; poor pay and bad working condition may result of supply exceed than the demand of marginalized people in developing countries (Porter, 1990).

Taking the outsourcing work in the rural areas also encounter many challenges. Additional cost of power back-up and generators may be incurred due to weak power supply in some rural areas. The cost to attract and retain senior level management is also high in rural areas’ (The Monitor Group, 2011) which may argue against Impact Sourcing cost reduction

capability. Information security and data confidentiality are important concerns of outsourcing clients which may become more serious while outsourcing centres are operating from the rural areas because of low quality ICT infrastructure and unavailability of high technical skills (Khalfan, 2004).

Usually outsourcing service providers market themselves by their highly qualified and skilled employees but the major objective of Impact Sourcing is to hire marginalized people which are most often not highly qualified and experienced. If the initial Impact Sourcing reports claim win-win for company and social development then there is a need to find out how may the Impact Sourcing organization deal with that marketing challenge if they actually hire marginalized people.

Towards a Taxonomy of Impact Sourcing organizations

Classification provides ability to identify fundamental structure and relationship (McKinney, 1966) that encourage theory development (Haas et al., 1966). Organization classification classifies the organizations into different categories based on their common characteristics which provide basis for research and detail analysis (Rich, 1992). In literature two terms typology and taxonomy are used for classification. Some literature defines typology as a conceptually derived (deductive) and taxonomy as an empirically derived (Inductive) classifications (Bailey, 1994), whereas some researchers assert that there is no real distinction between these two concepts and both can be used interchangeably (Burns, 1967; Doty & Glick, 1994). We will use the term taxonomy in this paper for both empirical and conceptual classification because this is most the commonly used term in Information System (IS) literature (Nickerson et al., 2013). Taxonomy is a process of classifying concepts or items into distinctive categories that helps to understand the complex domains and play an important role in management and research (Miller & Roth, 1994). It is a fundamental mechanism to organize the field of knowledge that enable researchers to understand the relationships among different existing concepts (Glass & Vessey, 1995; Hirschheim et al., 1995). Taxonomy also provides the initial data input and can contribute in the theory building process (Bapna et al., 2004; Doty & Glick, 1994).

Methodology

In this paper, we follow Nickerson et al. (2013) method of taxonomy development to develop the taxonomy of Impact Sourcing organizations. Nickerson et al. (201) survey of the literature related to taxonomies in Information System (IS) posits that majority of researchers follow an adhoc approach for taxonomy development. They propose a comprehensive method of taxonomy development which we adapt in this paper.

Nickerson et al. (2012) define taxonomy as a set of dimensions which consist of mutually exclusive – no object can have two different characteristics in a dimension, and collectively exhaustive – each object must have one of the characteristics in a dimension, characteristics (Nickerson et al., 2013, p.340).

Varieties of terms are used in taxonomy development literature for dimensions (e.g. variable, attributes) and characteristic (e.g. value, taxonomic character). In this paper we will follow the terms ‘dimension’ and ‘characteristic’ because they are common, descriptive and can be applied to all forms of classification (Nickerson et al., 2013).

Objects refer to the items which need to be classified in the taxonomy, in this paper objects are Impact Sourcing organizations. Characteristic is any feature by which an object can be

compared against other; therefore, it represents a basic building block of taxonomy. Dimension is a group of different characteristics belonging to the similar concept.

Nickerson et al. (2013) propose taxonomy development methodology combine conceptual (deduction) and empirical (inductive) approaches and apply them iteratively to identify useful taxonomy. For the purpose of this taxonomy development, we use secondary data which is collected from available Impact Sourcing literature, websites of the Impact Sourcing organizations, published reports, and press releases. Our subset of objects includes ten examples of Impact Sourcing organizations. The nascent stage of the literature comprising industry reports and exploratory case studies are the main reasons of small sample size. The purposive sampling technique is used to identify the objects after reviewing the published literature and websites of different Impact Sourcing organization. The purpose is to include various existing Impact Sourcing organization models into the object list (objects list with reference literature is available in appendix 1).

Characteristics of Impact Sourcing organization used in this taxonomy development procedure are identified after content analysis of existing research studies, websites of selected objects, and other relevant textual material available on internet related to the Impact Sourcing organizations (Mayring, 2000). Meaningless or general organization characteristics which do not reflect the inherent quality of phenomenon under study are avoided (Sneath & Sokal., 1973).

Identification of taxonomy users and purpose of the taxonomy are preliminary procedures of Nickerson's taxonomy development method. Primary users of this taxonomy are researchers and other users may include outsourcing service providers and outsourcing clients, who want to implement Impact Sourcing for social objectives. The main purpose of this taxonomy is to distinguish between various kinds of existing Impact Sourcing organizations. The characteristics and dimensions of the taxonomy follow from the meta-characteristic which is based on the identified users and purpose of the taxonomy. Our identified meta-character for this taxonomy is "social objective of outsourcing". Due to iterative nature of this taxonomy development process, the objective and subjective ending conditions are necessarily be determined in beginning to terminate the process. The objective ending conditions of taxonomy development process refers to the criterion which is defined to obtain the set of mutually exclusive and collectively exhaustive characteristics of taxonomy. The subjective ending conditions are the set of qualitative attributes to ensure usefulness of the taxonomy, for example concise, robust, comprehensive, extendable, and explanatory taxonomy.

After selecting the meta-characteristic and setting the ending conditions, researcher runs the iteration from conceptual-to-empirical or from empirical-to-conceptual.

Steps for empirical-to-conceptual approach:

1. Start with the random subset of the objects.
2. Identify the common characteristics of these objects which must be logical consequences of the meta-characteristic.
3. Group the identified characteristics formally using statistic technique or manually in case of small data set. These groups are the dimensions of the taxonomy and each dimension contain mutually exclusive and collectively exhaustive characteristics.

Steps for conceptual-to-empirical approach:

1. Start with conceptualizing the dimensions of the taxonomy; researcher may use his/her knowledge, experience and judgement to deduce the dimensions.

2. Identify the characteristic of each dimension that must be logical consequences of the meta-characteristics.
3. Examine the objects for these characteristics and dimensions.

This taxonomy development method uses both approaches iteratively until the subjective and objective ending conditions meet and allow researcher to choose which approach is suitable in each iteration.

Findings: taxonomy of Impact Sourcing organizations

Impact Sourcing organizations are the objects of this taxonomy. Before starting the formal iterative process, we have identified the meta-characteristic, objective, and subjective ending conditions for our taxonomy development.

Table 1 Meta-characteristic, objective ending condition and subjective ending condition

Meta-characteristic		Social objective of outsourcing
Objective Condition	Ending	<ol style="list-style-type: none"> 1. All Impact Sourcing organizations included in the sample list have examined. 2. At least one Impact Sourcing organization is classified under every characteristic of every dimension. 3. No more dimension or characteristics would be added at this stage. 4. Every dimension and characteristic is unique.
Subjective Condition	Ending	<ol style="list-style-type: none"> 1. Concise: number of dimensions in the taxonomy fall between the range of magic number (seven plus or minus two) (Miller, 1956). 2. Robust: sufficient dimensions and characteristics to differentiate between objects. 3. Comprehensive: all objects of the subsets have classified and all possible dimensions of interest have identified. 4. Extendible: taxonomy has capability to include more dimensions and characteristics in future. 5. Explanatory: dimensions and characteristics can explain the objects.

First Iteration:

1. In the first iteration of taxonomy development we use empirical-to-conceptual approach and select four objects randomly from the sample list to examine.
 - Digital Divide Data
 - Tata Business Support Service Rural BPO Centre
 - Rural Shores
 - SamaSource

2. We identify some characteristics follow from meta-characteristic (social objective of outsourcing) after content analysis of published literature, publically available reports and web pages of the organizations.

- Non-profit social outsourcing enterprise
- Corporate social responsibility investment in social outsourcing
- Strategic corporate social responsibility decision of commercial outsourcing service providers
- Market driven primary outsourcing objective
- Community driven primary outsourcing objective
- Donation/funding is part of capital investment
- Market-oriented capital investment
- Philanthrocapital investment

3. We group these characteristics manually into three dimensions.

- **Prevailing Concept** {Non-profit social outsourcing enterprise (NPSE), Corporate social responsibility investment in social outsourcing(CSRI), Strategic corporate social responsibility decision of commercial outsourcing service providers (SCSRD)}
- **Primary Business Objective** {Market driven (MD), Community driven(CD)}
- **Capital Investment** {Donation/funding (DCI), Market-oriented (MCI), Philanthrocapital⁸ (PCI)}

Table 2 First iteration of Impact Sourcing organization taxonomy development

Taxonomy of Impact Sourcing Organization								
Objects	Prevailing Concept			Primary Business Objective		Capital Investment		
	NPSE	CSRI	SCSRD	MD	CD	DCI	MCI	PCI
Digital Divide Data	x				x	x		
Tata BSS Rural BPO Centre		x			x			x
Rural Shores			x	x			x	
SamaSource	x				x	x		

The first iteration is checked for ending conditions. Four objects out of ten are examined in the first iteration. The first objective ending condition, all Impact Sourcing organizations included in the sample list have examined, is not yet met. Three dimensions are identified in this iteration. It does not satisfy the first subjective ending condition related to the number of dimensions which must be between seven plus or minus two (5 to 9). Both objective and subjective ending conditions are not met in the first iteration which requires the execution of second iteration.

Second Iteration:

⁸ CSR investment of a business

1. We decide to use empirical-to-conceptual approach in the second iteration again and select next four objects from the sample list.
 - Kerala’s Kudumbasree Project of ICT Enterprises
 - Source for Change
 - Wipro Rural BPO Centre
 - KGVK Rural BPO

2. The following characteristics are identified after content analysis of available secondary data related to these four objects.
 - For-profit Social outsourcing enterprise
 - Government supported capital investment
 - Partially rely on funding/donation for economic sustainability
 - Need to earn revenue for self-sustainability
 - Rely on philanthrocapital for economic sustainability until meet breakeven point (where expenses are equal to earned revenue)

3. The first two characteristics are the additional characteristics of the already identified dimensions, prevailing concepts and capital investment. The last three characteristics can be collectively added as a new dimension of economic sustainability.
 - **Prevailing Concept** {Non-profit social outsourcing enterprise (NPSE), Corporate social responsibility investment in social outsourcing(CSRI), Strategic corporate social responsibility decision of commercial outsourcing organization (SCSRD), For-profit Social outsourcing enterprise(FPSE)}
 - **Primary Business Objective** {Market driven (MD), Community driven(CD)}
 - **Capital Investment** {Donation/funding (DCI), Market-oriented (MCI), Philanthrocapital (PCI), Government supported (GCI)}
 - **Economic Sustainability** {Partially rely on funding/donation (DES), Need to earn revenue for self-sustainability (SES), Rely on philanthrocapital until meet breakeven point (PES)}

Table 3 Second iteration of Impact Sourcing organizations taxonomy development

Taxonomy of Impact Sourcing Organization													
Objects	Prevailing Concept				Primary Business Objective		Capital Investment				Economic sustainability		
	NPSE	CSRI	SCSRD	FPSE	MD	CD	DCI	MCI	PCI	GCI	DES	SES	PES
Digital Divide Data	x					x	x				x		
Tata BSS Rural BPO Centre		x				x			x				x
Rural Shores			x		x			x				x	
SamaSource	x					x	x				x		
Kudumbasree Project				x	x					x		x	
Source for Change		x				x			x				x
Wipro Rural BPO Centre		x				x			x				x
KGVK Rural BPO	x					x	x				x		

There are two objects left unexamined in the sample list and total identified dimensions are four. The first objective and subjective conditions are still not met which need to continue the iteration. However, at this stage, the taxonomy is concise, extendible and explanatory.

Third Iteration:

In this iteration, we decide to use the conceptual-to-empirical approach to create the taxonomy through both perspectives.

1. After reviewing the literature related to Impact Sourcing organizations, we deduce one more dimension, Return on investment (ROI).
2. By relating the meta-characteristic with this newly created dimension, we have identified three further characteristics.
 - Social return on Investment
 - Both social and ⁹commercial return on Investment
 - Short term social return on Investment which may turn into commercial return on investment in long term
3. Now the already examined and last two unexamined objects are checked for the recently created dimensions and characteristics. The total dimensions detail for Taxonomy is summarized as follows:
 - **Prevailing Concept** {Non-profit social outsourcing enterprise (NPSE), Corporate social responsibility investment in social outsourcing(CSRI), Strategic corporate social responsibility decision of commercial outsourcing organization (SCSRD), For-profit Social outsourcing enterprise (FPSE)}
 - **Primary Business objective** {Market driven (MD), Community driven(CD)}
 - **Capital investment** {Donation/funding (DCI), Market-oriented (MCI), Philanthrocapital (PCI), Government supported (GCI)}
 - **Economic Sustainability** {Partially rely on funding/donation (DES), Need to earn revenue for self-sustainability (SES), Rely on philanthrocapital until meet breakeven point (PES)}
 - **Return on Investment** {Social return on Investment (SRI), Both social and commercial return on Investment (SCRI), Short term social return on investment which may turn into commercial return on investment in long term (SCLRI)}

⁹ Profitability and business growth.

Table 4 Third iteration of Impact Sourcing organizations taxonomy development

Taxonomy of Impact Sourcing Organization																
Objects	Prevailing Concept				Primary Business Objective		Capital Investment				Economic sustainability			Return on Investment		
	NPSE	CSRI	SCSRD	FPSE	MD	CD	DCI	MCI	PCI	GCI	DES	SES	PES	SRI	SCRI	SCLRI
Digital Divide Data	x					x	x				x			x		
Tata BSS Rural BPO Centre		x				x			x				x			x
RuralShores			x		x			x				x			x	
SamaSource	x					x	x				x			x		
Kudumbasree Project				x	x					x		x			x	
Source for Change		x				x			x				x			x
Wipro Rural BPO Centre		x				x			x				x			x
KGVK Rural BPO	x					x	x				x			x		
eGramIT			x		x			x				x			x	
Harva			x		x			x				x			x	

After third iteration all four objective ending conditions have met; all objects from sample list have been examined; all characteristics of each dimension contain at least one Impact Sourcing organizations (collectively exhaustive); every dimension and characteristic is unique, no Impact Sourcing organization has two characteristics within same dimension (mutually exclusive); and no further dimension or characteristic would be added at this stage.

The final table satisfy the subjective ending conditions also. It contains five dimensions (seven minus two) which make taxonomy concise, robust, and explanatory. The taxonomy is extendable; more dimensions and characteristics may be added or subtracted in future when more detailed studies of the Impact Sourcing organizations would be available.

We identify some general patterns from the developed taxonomy and group them for classification of Impact Sourcing organizations. It could be done manually due to small sample dataset (ten objects); instead we use SPSS Statistic 17 and perform k-mean cluster analysis for more validity and accuracy. The number of clusters is four and we assign name to each cluster on the basis of distinct characteristics. The detail of the final classification after k-mean cluster analysis is shown in the table 5.

Table 5 Taxonomy of Impact Sourcing Organizations

Taxonomy of Impact Sourcing Organization								
Sr. No	Cluster Groups	Sample Objects	Prevailing Concept	Primary Business Objective	Capital Investment	Economic sustainability	Return on Investment	Taxonomy Summary
1	Non-profit Social Outsourcing Organization	Digital Divide Data, SamaSource, KGVK Rural BPO	NPSE	CD	DCI	DES	SRI	{Non-profit social outsourcing enterprise (NPSE), Community driven (CD), Donation/funding (DCI), Partially rely on donation/funding (DES), Social return on investment (SRI)}
2	For-profit Social Outsourcing Organization	Kudumbasree Project	FPSE	MD	GCI	SES	SCRI	{For-profit social outsourcing enterprise (FPSE), Market driven (MD), Government supported (GCI), Need to earn revenue for self-sustainability (SES), Both social and commercial return on Investment (SCRI)}
3	Socially Responsible Outsourcing Organization	Tata Rural BPO Centre, Source for Change, Wipro Rural BPO Centre	CSRI	CD	PCI	PES	SCLRI	{Corporate Social Responsibility Investment in social outsourcing (CSRI), Community driven (CD), Philanthrocapital (PCI), Rely on Philanthrocapital until meet breakeven point (PES), Short term social return on investment which may turn into commercial return on investment in long term (SCLRI)}
4	Dual Value Outsourcing Organization	eGramIT, Harva, RuralShores	SCSRD	MD	MCI	SES	SCRI	{Strategic corporate social responsibility decision of commercial outsourcing organization (SCSRD), Market driven (MD), Market-oriented (MCI), Need to earn revenue for self-sustainability (SES), Both social and commercial return on Investment (SCRI)}

Discussion

The proposed final taxonomy results in five dimensions, each of which has distinct characteristics. These characteristics classify Impact Sourcing organizations into four types identified in the table 5.

The purpose of this taxonomy development is not to provide an optimal and best classification, instead to propose an initial, useful and extendible taxonomy for better understanding of various structures of the Impact Sourcing organizations. This taxonomy may further be refined once the Impact Sourcing phenomenon will become mature in terms of research and detailed studies. Due to extendable nature of this taxonomy, more dimensions and characteristics may be added or deleted in the future refined versions of the taxonomy. The final taxonomy identifies four types of Impact Sourcing organizations which we discuss briefly here:

A: Non-profit Social Outsourcing Organization

Non-profit social outsourcing organizations are community driven social enterprises which are founded with a primary goal of community development. Donation from Commercial institutions¹⁰ and non-profit foundations¹¹ are the major source of initial capital investment. The return on investments is mainly social such as creation of employment opportunities and empowerment of disadvantage people. These type of organizations utilized earned income to meet their social objectives and partial operational expenses. As revenue generation is not the basic aim of these outsourcing organizations that's why they usually require donations for economic sustainability.

Digital Divide Data (DDD)¹² is an example of non-profit social outsourcing organization. DDD has its presence in Cambodia, Laos, and Kenya where it aims to create employment opportunities for disadvantaged youth and people with disabilities. DDD provides basic ICT training to employees to make them capable for low skill outsourcing jobs such as data entry, digitization etc. Scholarships are offered to young employees to continue their university education.

B: For-profit Social Outsourcing Organization

For-profit social outsourcing organizations are market driven social enterprises founded to avail the existing market opportunities. Although social development is a primary purpose of their establishment, they operate for profit. Partial support especially from public sector is contributed as an initial capital investment along with market capital and personal investments and the return on investment is social (e.g. employment creation for disadvantage communities, social empowerment) as well as commercial. These types of Impact Sourcing organizations need to earn revenue to ensure the sustainability and profitability.

Kudambasbree is an initiative of Indian state government Kerala. The initiative supports poor rural Indian women of Kerala to established social ICT enterprise with the help of government grant and bank loan. Government act as an intermediary to provide public sector outsourcing projects to these ICT social enterprise.

¹⁰ E.g. Google Inc, Microsoft

¹¹ E.g. Rockefeller foundation, Ford foundation

¹² <http://www.digitaldividedata.org/>, Accessed on 20th March, 2013

C: Socially Responsible Outsourcing Organization

Socially responsible outsourcing organizations are founded as a result of CSR investment of the commercial outsourcing service provider or any other business which act as a parent organization. It is underpinned by CSR investment in outsourcing for social development. The parent organization revenue is used as a capital investment to establish Socially Responsible Outsourcing Organizations for social development. The parent organization supports its social outsourcing arm for sustainability until it becomes self-sustainable. The major return on investment is social but after a certain period of time company may obtain the commercial returns (Bishop & Green, 2008). For these types of Impact Sourcing organizations, we find parent organization's partnership with some local welfare institution for establishment of their CSR investment initiative and provide local level facilitation.

In India, Tata Rural BPO Centre and Wipro Rural BPO Centre are examples of the social responsibility initiatives of two big commercial organizations, Tata Business Support Services and Wipro Technologies. Wipro BPO, a BPO arm of Wipro Technologies has opened a rural BPO centre¹³ in Manjakkudi Village of Tamil Nadu, India. The Swami Dayananda Educational Trust, a welfare institution which provides education to the marginalized people of Tamil Nadu, has worked with Manjakkudi rural BPO centre to support the Wipro rural outsourcing project. The Wipro Rural BPO Centre provides trainings and employment to the youth of rural region and connects rural communities to the global outsourcing world of business.

Tata Business Support Services has established a rural outsourcing centre at Khopoli in Maharashtra as a community service project with the support of Mannat Foundation, a local welfare institution. Mannat foundation hires the rural people and provides infrastructural support; Tata Business Support Service is responsible for training and management of BPO operations. The hired employees undergo a one month training of English and computer to improve their self-confidence and ICT skills.

D: Dual-value Outsourcing Organization

Since early 2000, a scholarly discourse has analysed the possibilities of how CSR activities can be jointly fitted in the interest of business and society (Porter & Kramer, 2006; McWilliams & Siegel, 2000; WBCSD, 2000; Zairi & Peters, 2002). Dual-value outsourcing organizations adopt that approach. CSR can be a source of innovation, profitability, and competitive advantage for the companies if its prospect would be integrated with the business and operational strategies; this is called strategic CSR (Porter & Kramer, 2006). Dual-value outsourcing organizations open their outsourcing centres in the remote areas to utilize the potential of that area and to get the competitive advantage. These are the commercial outsourcing service providers having dual objectives, business and social development. The initial capital investment is completely based on market and personal finance. These outsourcing organizations need to earn revenue for economic sustainability and to earn profit. They strategically select some social objectives that can align with their business objectives. Hence, the returns on investment are both commercial and social.

RuralShores¹⁴ is a commercial outsourcing service provider which opens its rural BPO centres in various villages of India. The corporate slogan reflects the mission of 'bringing jobs to the people rather than bringing people to the jobs'. RuralShores is an example of a Dual-value outsourcing organization which has recognised the adequacy of skills in rural area

¹³ <http://www.wipro.com/newsroom/Wipro-sets-up-its-first-Rural-BPO-Center>, Accessed on 20th March, 2013

¹⁴ <http://ruralshores.com/>, Accessed on 20th March, 2013

and opens its outsourcing organizations in rural areas of India with the objective to reduce the migration of rural people to the urban areas. They hire people from rural communities; giving preference to disabled and poor people. The new employees undergo three months training in English and computer skills. RuralShores is operated as commercial outsourcing service provider which earns revenue for economic sustainability and profit. It claims the social development through empowering marginalized rural Indian people with ICT skills and provides them outsourcing jobs; another social objective of Ruralshores is to stimulate the economic activities in rural areas and preventing the people migration toward the urban areas.

Harva¹⁵ is a commercial outsourcing service provider operating in different Indian villages and based on the dual-value creation approach (business profitability and social development) of the business. It follows the concept of strategic CSR (Porter & Kramer, 2011) and has selected the social objectives that can be achieved in parallel with organization's commercial objectives. Around 400 village women of education level 8th to 12th grade are working in Harva's outsourcing centres. The majority of them had never operated a computer in their life before joining Harva. Initially, the company offered free computer training and after the training, the organization provides them simple outsourcing jobs such as digitization, scanning and data entry. The social objectives of the company are to empower the rural women by providing them working opportunities through ICT at their doorsteps and make them more productive member of their community. The organization is getting a competitive advantage due to reduce operational cost in the rural areas and can offer services to its outsourcing clients at 40% less rate. The employee attrition rate is also very low in the rural areas which save company financial and other resources of re-hiring and re-training¹⁶.

After discussing these four types of Impact Sourcing organizations we realize that the first two, non-profit social outsourcing organizations and for-profit social outsourcing organizations can be linked with the Social IT Outsourcing concept and the other two, socially responsible outsourcing organizations and dual-value outsourcing Organizations, have emerged from Socio-commercial IT Outsourcing concepts which we have already explained previously.

Conclusion

The paper aims to answer four major questions about Impact Sourcing: What is the background and rationale for Impact Sourcing? What are the conceptual categories of Impact Sourcing phenomenon? What is the taxonomy of Impact Sourcing organizations? What are the criticisms of Impact Sourcing?

The existing academic literature on global outsourcing is mostly skewed toward outsourcing for business benefits (Lacity et al., 2010) with limited knowledge of social development aspects of outsourcing. The paper provides the basic understanding of a recent socioeconomic outsourcing phenomenon, Impact Sourcing. Before presenting the detail of actual contribution of the paper, we have realized the need of brief background explanation to refresh the Impact Sourcing context for readers from the literature.

The paper goes beyond the concept of Social IT Outsourcing that has discussed in the existing studies and contributes further by theoretically underpin the Socio-commercial IT Outsourcing conceptual categories of Impact Sourcing. The paper fills the gap of knowledge

¹⁵ <http://www.harva.co.in/>, Accessed on 20th March, 2013

¹⁶ An interview with CEO, Harva was conducted through Skype on 3rd January, 2013. <http://www.harva.co.in/>

by conceptual grouping the Impact Sourcing organisations into two categories. The first category, Social IT Outsourcing, can be linked to the Social Enterprise concepts, the other category, Socio-commercial IT Outsourcing, originates from the concept of CSR; the outsourcing organizations under this conceptual category create as a result of any social responsibility initiative of a commercial parent organization or based on the concept of strategic corporate social responsibility (Porter & Kramer, 2011).

The paper also considers the criticism of relevant literature to identify the possible challenges of Impact Sourcing. It discusses some criticism on combined business and social objectives and also point out the possible threats for Impact Sourcing such as exploitation of marginalized people, concerns of outsourcing clients about data security and quality of services, infrastructure and other resources issues faced by outsourcing service providers. The main purpose of highlighting the criticisms here is to open this new approach for further multi-direction research studies.

The major contribution of this paper is to develop the taxonomy of Impact Sourcing organizations. The taxonomy classifies Impact Sourcing organizations into four categories: non-profit social outsourcing organization, for-profit social outsourcing organizations, socially responsible outsourcing organization and dual-value outsourcing organizations. The first two are founded particularly to achieve social objectives and the last two contribute in social development as their corporate social responsibility.

Future Work

Social benefits (Heeks & Arun, 2010) and social responsibility (Babin & Nicholson, 2009) of global outsourcing need to be researched more rigorously. Although the social impact of Social IT Outsourcing has been researched in a few studies (Heeks & Arun, 2010; Madon & Sharanappa, 2013), the Socio-commercial IT Outsourcing concept of the Impact Sourcing is ripe for further research. The topic is in research infancy and has a tremendous theoretical and empirical research potential to find out further research underpinnings.

The paper highlights some possible concerns about Impact Sourcing concept and discusses many arguments against social objectives of business. These challenges are pressing topics for future research. The studies to measure social and business impacts of different impact sourcing organization may clarify the validity or invalidity of these arguments.

The primary purpose to identify the taxonomy of Impact Sourcing organization is to provide systematic understanding of the difference between Impact Sourcing organizations for future research studies. Just like not one size fit all, a single measurement and management strategy is not appropriate to research these distinct Impact Sourcing approaches. The hybrid method of taxonomy development (both conceptual and empirical) is used to classify Impact Sourcing organizations based on the empirical examples. It will open up the topic for more bottom-up research (in-depth studies).

Limitation

The taxonomy presented in this paper is based on a small sample of secondary data due to very few available research studies of Impact Sourcing organizations. The data used in this paper is secondary data; we consult online reports, success stories, press releases and websites to fulfil empirical data's need.

Because of well establish outsourcing market of India and its emerging trend of rural outsourcing, most of the objects in our data set are from India. The taxonomy of outsourcing organization might change when more data will become available that will have focused on various locations globally.

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Appendix No. 1: Sample List

Sr. No	Objects (Impact Sourcing Organizations)	Location	Reference
1	Digital Divide Data	Cambodia, Kenya, Laos, USA	(Avasant, 2012; The Monitor Group, 2011)
2	Tata BSS Rural BPO Centre	India	Purposive Sampling from Internet
3	Rural Shores	India	(Lacity et al., 2011; The Monitor Group, 2011)
4	SamaSource	Haiti, India, Kenya, and Uganda	(Lacity et al., 2012; The Monitor Group, 2011)
5	Kudumbasree Project	India	(Heeks & Arun, 2010)
6	Source for Change	India	Purposive Sampling from Internet
7	Wipro Rural BPO Centre	India	Purposive Sampling from Internet
8	KGVK Rural BPO	India	(Madon & Sharanappa, 2013)
9	eGramIT	India	(The Monitor Group, 2011)
10	Harva	India	Purposive Sampling from Internet